

NOTICE UNDER SECTION 11(1) OF THE DIGITAL MARKETS, COMPETITION AND CONSUMERS ACT 2024 (THE ACT)

1. The Competition and Markets Authority (**CMA**) hereby gives notice as required by section 11(1) of the Act (the **Notice**) that it is beginning an initial strategic market status (**SMS**) investigation pursuant to section 9(1) of the Act (the **SMS investigation**).
2. The Notice sets out the matters in respect of the SMS investigation required by section 11(2) and (3) of the Act.

Purpose and scope of the SMS investigation

3. The purpose of the SMS investigation is for the CMA to decide whether to designate the undertaking known as Microsoft (as described at paragraph 4 of this Notice) under section 2(1) of the Act as having SMS in respect of the digital activities carried out by Microsoft as described in this Notice.

The undertaking to which the SMS investigation relates

4. The Microsoft undertaking includes:
 - (a) Microsoft Corporation, a public listed company incorporated in the state of Washington, United States of America under registered number 600413485, having its registered office at One Microsoft Way, Redmond, WA 98052-6399, United States of America;
 - (b) Microsoft Limited, incorporated in the United Kingdom under registered number 01624297, having its registered office at Microsoft Campus, Thames Valley Park, Reading, Berkshire, RG6 1WG; and
 - (c) Microsoft Ireland Research, incorporated in Dublin under registered number 696946, having its registered office at One Microsoft Place, South County Business Park, Dublin 18, Dublin, Ireland.

The digital activities to which the SMS investigation relates

5. The SMS investigation relates to Microsoft's provision of the following services and/or one or more pieces of digital content for organisational use,¹ however accessed and deployed:
- (a) a productivity software suite that enables users to work and collaborate, including to create, record, communicate and manage information (**Productivity Software Suite**);
 - (b) a personal computer (**PC**) operating system or equivalent, which acts as an intermediary between hardware and software on the computer, enabling software applications (referred to as applications or apps) and services to run on a PC (**PC Operating System**);
 - (c) a server operating system software or equivalent, which acts as an intermediary between hardware and software on a server, enabling software applications and services to run on a server (**Server Operating System**);
 - (d) a relational database management system that manages and stores data in separate tables and defines relationships between those tables (**Relational Database Management System**, or **RDBMS**); and
 - (e) software that secures operating systems, as well as the applications and data running on those systems, through mechanisms including authentication and authorisation of access for individuals and devices, enforcement of endpoint management policies and detection and prevention of threats (**Security Software**).²
6. The CMA considers that the provision of each of Microsoft's Productivity Software Suite, PC Operating System, Server Operating System, RDBMS and Security Software may constitute a digital activity under section 3(1) of the Act.

¹ Organisation includes, but is not limited to, businesses, charities, educational institutions and public sector entities. The proposed digital activities may be provided to organisations and/or end-users in organisations. While Microsoft supplies products and services to individuals (eg, see 'Microsoft 365 Consumer products and cloud services' in Microsoft Corporation's [2025 Annual Report](#)), those use cases are not the focus of this investigation.

² The description of the digital activities in scope of the investigation may be refined during the investigation. See: [CMA194](#), paragraph 2.89.

7. Further, the CMA considers that these digital activities may be treated as a single digital activity within the meaning of section 3(3) of the Act, as they can be carried out in combination with each other to fulfil the specific purpose of providing a software environment that enables organisations to perform work tasks effectively, securely and at scale (this single digital activity is referred to as **Microsoft's Business Software Ecosystem**).³

8. In describing the digital activities falling within scope of this investigation we have adopted a functional approach.⁴ All relevant products, including current and new products, which share the specific functions would be captured within the scope of the digital activity. Based on Microsoft's current business model, the CMA considers that the following products, referred to by their current brand names, are likely to be in scope:
 - (a) **Productivity Software Suite:** Microsoft's Office 365 applications, including Word, Excel, PowerPoint, Outlook, Exchange, Teams, SharePoint, OneDrive and OneNote; and the services and associated functionalities that enable the functioning of the Microsoft Productivity Software Suite, such as the Graph API and Microsoft 365 admin center. Our investigation will include Copilot features and functionalities that can be used with these apps (eg, Copilot features within Outlook, Excel, Word and OneNote), and/or AI assistant features and functionalities accessed in the Microsoft 365 Copilot App.
 - (b) **PC Operating System:** Windows 10 and 11 and any subsequent versions.
 - (c) **Server Operating System:** Windows Server.
 - (d) **RDBMS:** SQL Server.
 - (e) **Security Software:** Entra and Active Directory-related software and services, Intune and Defender.⁵

9. The CMA intends to investigate the extent to which Microsoft's artificial intelligence (**AI**) products (such as those branded as Copilot) should be

³ The CMA retains discretion in whether and how to exercise the power under section 3 of the Act, for example, which activities to treat as a single digital activity under section 3(3) of the Act and which to treat as separate digital activities.

⁴ [CMA194](#), paragraphs 2.10 and 2.107.

⁵ Reflecting in particular the fact that Microsoft may adapt its products over time and/or introduce new ones, this will not be an exhaustive list of products. See: [CMA194](#), paragraph 2.89.

included within the scope of the digital activities. The CMA understands that Microsoft's AI offerings span every layer of the technology stack,⁶ therefore we will investigate whether AI assistant features and functionalities are in scope of each of the digital activities described in paragraph 5.

10. The CMA may change its view of the scope of the SMS investigation. If it does so, it will give Microsoft a revised version of this Notice in accordance with section 11(4) of the Act.
11. In accordance with section 9(1) of the Act, the CMA has reasonable grounds to consider that it may be able to designate Microsoft as having SMS in respect of the provision of a digital activity in accordance with section 2 of the Act. Those reasonable grounds are set out in the Annex to this Notice in accordance with section 11(2)(a)(i) of the Act.

Closure of SMS investigation before reaching a final view

12. In accordance with section 12 of the Act, the CMA may close the SMS investigation at any time before it has reached a final view on the matters mentioned in paragraphs (a) and (b) of section 2(1) of the Act, by giving notice to Microsoft to that effect.

The SMS investigation period

13. In accordance with section 14(2) of the Act, if the CMA does not close the SMS investigation under section 12 of the Act, the CMA must give Microsoft a notice setting out its decisions as a result of the SMS investigation on or before the last day of the period of nine months beginning with the date of this Notice, being 13 February 2027 (the SMS investigation period), unless the SMS investigation period is extended.

Circumstances for extension of the SMS investigation period

14. In accordance with section 104 of the Act, the CMA may publish a notice extending the SMS investigation period:
 - (a) where the CMA considers that: (i) a person has failed to comply with any requirement of a notice under section 69 of the Act or, a notice under

⁶ [Microsoft 2025 Annual Report](#), page 9.

section 72 of the Act, which was given in relation to the SMS investigation; and (ii) the failure is preventing the CMA from properly discharging any of its statutory functions under the Act to which the SMS investigation relates, until that person gives the information in question to the CMA or, as the case may be, answers questions and provides explanations to the satisfaction of the CMA; or

- (b) where the CMA considers that there are special reasons for doing so, by up to three months.

Publication of this Notice

- 15. As soon as reasonably practicable after giving Microsoft this Notice, the CMA will, in accordance with section 11(5) of the Act: (i) publish this Notice on its website; and (ii) give a copy of this Notice to the Financial Conduct Authority, the Office of Communications, the Information Commissioner, the Bank of England and the Prudential Regulation Authority.

Competition and Markets Authority

14 May 2026

ANNEX: REASONABLE GROUNDS

16. For the purposes of sections 11(2)(a)(i) and 9(1) of the Act, this annex sets out the CMA's reasonable grounds to consider that it may be able to designate Microsoft as having SMS in respect of Microsoft's Business Software Ecosystem and each of the digital activities set out in paragraph 5 of this Notice in accordance with section 2 of the Act.

Microsoft may meet the turnover condition (sections 2(3) and 7 of the Act)

17. The turnover condition may be met in relation to Microsoft pursuant to section 2(3) and section 7 of the Act as the CMA estimates that the total value of the global turnover of Microsoft in the most recent period of 12 months, in respect of which the CMA considers that it is able to make an estimate of Microsoft's relevant turnover, exceeds £25 billion: Microsoft's published accounts indicate its turnover in the financial year ending June 2025 was \$281.7 billion, equivalent to £213.7 billion.⁷

Microsoft's Business Software Ecosystem may be linked to the United Kingdom (UK) for the purposes of section 2(1)(a) and 4 of the Act

18. Microsoft's provision of its Business Software Ecosystem, and each of the digital activities in paragraph 5 of this Notice, may be linked to the UK because:
- (a) Microsoft carries on business in the UK in relation to the provision of its Business Software Ecosystem. For example, Microsoft supplies those products and services listed in paragraph 8 of this Notice to users in the UK;
 - (b) Microsoft's Business Software Ecosystem may have a significant number of UK users, based on a range of indicative measures:

⁷ [Microsoft 2025 Form 10-K](#), page 36, converted from USD to GBP using Bank of England annual average spot exchange rate for 2025. There are reasonable grounds to consider that the turnover condition may be met notwithstanding any adjustments resulting from applying the methodology set out in the Digital Markets, Competition and Consumers Act 2024 and Consumer Rights Act 2015 (Turnover and Control) Regulations 2024.

- (i) **Productivity Software Suite:** There were [20-30] million UK organisational users of Microsoft’s productivity software in FY25.⁸
 - (ii) **PC Operating Systems:** There were [15-25] million UK organisational users of Microsoft product bundles that included its PC Operating Systems in FY25.⁹ Microsoft earned \$[0.5-1] billion in revenue from organisational customers for its PC Operating Systems in the UK in FY25.¹⁰
 - (iii) **Server Operating System:** Microsoft’s Windows Server accounted for [30-40] % of operating system usage on Azure by vcore¹¹ hours in the UK in 2024;¹²
 - (iv) **RDBMS:** Product bundles including Microsoft SQL Server accounted for \$[0.5-1] billion in revenue in the UK in FY25;¹³ and,
 - (v) **Security Software:** There were [20-30] million UK organisational users of Microsoft’s Enterprise Mobility and Security suite in FY25, generating \$[1-1.5] billion in revenue in the UK.¹⁴
- (c) The way in which Microsoft carries on its Business Software Ecosystem may be likely to have an immediate, substantial and foreseeable effect on trade in the UK. Microsoft’s Business Software Ecosystem plays a vital role in the UK economy, underpinning modern corporate operations and the public sector, as illustrated by the user numbers mentioned above.¹⁵ For example, the CMA’s Cloud Market Investigation Final Report (**Cloud MI**) found that several Microsoft software products are important inputs to cloud services in the UK, with cloud itself a critical input to the digital services that UK consumers use each day.¹⁶

⁸ CMA analysis of Microsoft response to the CMA [§<].

⁹ CMA analysis of [§<]. Product bundle refers to stock keeping unit (SKU) in this context.

¹⁰ CMA analysis of Microsoft response to the CMA [§<].

¹¹ Virtual core hours (vcore hours) are hours of usage normalised for the number of core processing units being used to run a particular instance or operating system environment (OSE).

¹² CMA analysis of [§<].

¹³ CMA analysis of Microsoft response to the CMA [§<].

¹⁴ CMA analysis of Microsoft response to the CMA [§<].

¹⁵ See further, paragraph 24.

¹⁶ [Summary of Cloud MI](#), paragraph 3.

Microsoft may have substantial and entrenched market power (SEMP) in respect of Microsoft’s Business Software Ecosystem (sections 2(2)(a) and 5 of the Act)

19. Microsoft may have substantial market power in respect of its Business Software Ecosystem and each of the digital activities in paragraph 5 of this Notice.
20. There are a range of factors which suggest that Microsoft may not face material competition across its Business Software Ecosystem:
 - (a) **Economies of scope and scale:** Microsoft offers products that are critical for organisations in the UK.¹⁷ Its broad portfolio of business software products and services run across devices and can interoperate easily.¹⁸ Microsoft offers discounts when businesses buy a range of its software – with customers able to choose between different bundles, and where the largest customers can receive additional volume discounts through Enterprise Agreements.¹⁹ This may create economies of scope and scale, meaning rivals may face challenges competing with the breadth of Microsoft’s portfolio.²⁰ While Microsoft may face competition, such as Google’s Workspace, Google’s offer is somewhat differentiated and does not fully overlap with Microsoft’s.²¹
 - (b) **Barriers to switching:** products and services in Microsoft’s Business Software Ecosystem technically interoperate and so may be easier for

¹⁷ [Microsoft 2025 Annual Report](#): “Our infrastructure and services are mission critical for the world.”

¹⁸ [Microsoft’s 2025 Annual Report](#) “[w]e develop and support a broad portfolio of technology solutions for individuals and businesses, focusing on secure, trusted, and innovative platforms and tools that meet evolving customer needs across cloud computing, productivity and collaboration, and personal computing... Our products include operating systems, cross-device productivity and collaboration applications, server applications, business solution applications, desktop and server management tools, software development tools, and video games.”

¹⁹ Cases AT.40721 – Microsoft teams and AT.40873 – Microsoft Teams II (**EC Teams**), paragraph 36: “Microsoft offers these suites and other products under certain conditions at a discount (so-called ‘programmatic discounts’) through a number of volume licensing agreements such as, e.g., the ‘Enterprise Agreement’; and footnote 20: “The ‘Enterprise Agreement’ is a volume licensing agreement “designed for medium or large organizations that want to license cloud services and on-premises software organization-wide over a three-year period.””

²⁰ EC Teams, paragraph 93: “Microsoft enjoys economies of scale and scope due to its entrenched position in business application software and broad portfolio. This allows Microsoft to spread its research and development expenses across a large user base, resulting in lower costs per user and increased profitability. Competitors cannot match this advantage as they would need very significant investments to achieve a similar scale and portfolio of products and services to benefit from these economies. The CMA notes that Microsoft disagrees with the preliminary conclusions reached by the Commission in its Statement of Objections, which are referred to in its EC Teams decision (see: EC teams, paragraph 5), and weighs these statements accordingly.

²¹ [Cloud MI](#), paragraph 7.184. “Microsoft 365 is somewhat differentiated from its next-closest competitor, Google Workspace. For example: (a) there are different products included in the Microsoft packages (including additional applications, security and advanced identity and access management functionality with Microsoft 365); and (b) Google Workspace is only available through a browser.”

customers to use together.²² For example, in terms of security, Microsoft offers products addressing security and identity management across customers' Microsoft applications, whether they are deployed in the cloud or on a company's device assets.²³ This technical integration may make switching away from Microsoft's products, or integrating point solutions from other providers with the wider Microsoft ecosystem, challenging. For example, using a rival security solution with other aspects of Microsoft's business software ecosystem may be challenging due to the difficulties and costs associated with re-training staff, re-engineering security protocols and building technical connections between rival software and Microsoft applications.²⁴ This may limit the constraint of rival's point solutions on Microsoft's wider ecosystem.

- (c) **Network effects:** Microsoft's Business Software Ecosystem may benefit from network effects. For example, the widespread use of Microsoft's business software by organisations in the UK may incentivise developers to build applications for Microsoft's ecosystem.²⁵ This may in turn allow Microsoft to set de-facto standards,²⁶ allowing it to assume a dual role – i.e. setting the framework conditions for third party developers and also competing with those third parties.²⁷ This may raise barriers to entry and expansion for third parties.

²² [Summary of Bundeskartellamt Decision under Sec. 19\(a\) of the German Competition Act, B6 – 26/23, 27 September 2024 \(Bundeskartellamt Decision\)](#). "Microsoft's product range is not only very comprehensive but also closely integrated in a technical sense as the individual products often share several integration points with other Microsoft products." See also, EC Teams, paragraph 233: "Customers value the interoperability and integration of their SaaS UCC with other products, including with the broadly used Microsoft Products and Services (which consist of the tying products and Exchange Online, Entra ID, Microsoft Planner Basic, SharePoint Online, Windows 10/11 Desktop, and their successors) and are unlikely to consider switching to Teams' Competitors if they cannot offer a level of integration with these Products and Services that is effectively equivalent to Teams' level of integration with those products."

²³ [Microsoft's 2025 Annual Report](#): "We prioritize security above all else and we offer our customers integrated AI-driven products addressing security, compliance, identity, management, and privacy across customers' multi-cloud, application, and device assets."

²⁴ EC Teams, paragraph 92: "In the third place, customers are locked into Microsoft's enterprise software, due inter alia to difficulties and significant costs associated with re-training staff, deploying new software and concerns that competing solutions do not integrate adequately with the rest of the Microsoft software. Microsoft also has long-term contracts (typically of three years) for its enterprise customers making timely switching to Microsoft's competitors difficult."

²⁵ Bundeskartellamt Decision, page 5: "Microsoft's ecosystem is of paramount importance for the market entry of other software developers and also influences their business activities. This applies in particular to developers of business applications, and also to developers active in the area of gaming."

²⁶ EC Teams, paragraph 94 "In the fifth place, Microsoft has garnered a strong brand reputation and has become the industry standard for SaaS Productivity Applications for Professional Use. This gives Microsoft a significant advantage, with decision makers focusing on obtaining Microsoft SaaS Productivity Applications at the time of purchase and often not considering competing offers."

²⁷ Bundeskartellamt Decision, page 5: "Microsoft often assumes a dual role as the company not only sets the framework conditions for third party developers but also competes with them and is able to exert a significant influence on the business activities of third-party developers based on the design of its product portfolio."

21. The above factors may limit the ability of rivals to compete effectively with Microsoft's Business Software Ecosystem, indicating that Microsoft may hold substantial market power. Any limitations on the ability for customers to switch is likely to mean that this position is entrenched.²⁸ Moreover, between at least financial years 2021 and 2025, the CMA estimates that Microsoft has consistently earned substantial profits from its Business Software Ecosystem, suggesting there are limits to the ability of its customers to negotiate lower prices. For example, the CMA estimates that for its 'Productivity and Business Processes' business segment, it has earned very high margins and returns on capital employed (i.e. the annual return made on the investments needed to run the business) that exceed its cost of capital.²⁹
22. In addition to the above, there are further reasons to consider that Microsoft may have substantial market power in relation to its Business Software Ecosystem and each of the digital activities set out in paragraph 5.
23. The CMA's 2025 Cloud MI found that Microsoft had '*significant market power*' in relation to each of productivity software, Windows 10/11, Windows Server and SQL Server.³⁰ The Cloud MI found that:
 - (a) **Productivity Software Suite:** The Cloud MI found that Microsoft has held an [80-90]% share of supply in 2022 and several preceding years in the global market for productivity suites, as defined, on a range of measures.³¹ Evidence from almost all Microsoft 365 (part of Microsoft's Productivity Software Suite) customers was that alternatives had reduced functionality, switching would involve switching costs (for example, re-training, loss of compatibility or integration with other software, engineering cost of re-architecture), and they wanted to use the same solution as other companies.³²
 - (b) **PC Operating System:** Between 2019 - 2023, Microsoft's share of the global market for PC Operating Systems was between [80-90]% and [90-100]%.³³ In 2023, it was [90-100]%.³⁴ Part of the significant degree of

²⁸ [Cloud MI](#), paragraph 7.236: "However, we consider that how the Microsoft products are purchased, technical benefits when using Microsoft products with other Microsoft products, and technical limitations in using alternative products with the Microsoft products, may act as sources of market power."

²⁹ CMA analysis of public statements, earnings calls and internal documents

³⁰ Cloud MI, paragraphs 7.133, 7.157, 7.173, 7.190,

³¹ Cloud MI, paragraph 7.182 and Table R.7.

³² Cloud MI, paragraph 7.188.

³³ Cloud MI, paragraph 7.166(a).

³⁴ Cloud MI, paragraph 7.166(a).

market power of Windows 10/11 stemmed from the fact that a considerable number of third-party applications were designed specifically to run and operate on the operating system.³⁵

- (c) **Server OS:** Microsoft has a substantial share of server OS market on several different measures, for example representing [70-80]% based on revenues across all deployment types in 2023.³⁶ Windows Server represents a significant share of on-premises deployments.³⁷ Windows Server is chosen for particular functionalities that users perceived could not be provided by others.³⁸ Windows Server is also closely tied to Microsoft software, making it more difficult for users to switch away from Windows Server.³⁹
- (d) **RDBMS:** SQL Server held the largest share of supply in RDBMS in 2023, having overtaken its rival Oracle gradually over the preceding five years.⁴⁰ Considering all measures, Microsoft's share of supply has remained at between [20-30]% and [30-40]% over the period 2019-2023.⁴¹ Few customers are willing to switch away from SQL server, including due to the fact that particular functionalities and software only ran on SQL Server.⁴²
- (e) **Security Software:** Microsoft's Identity and Access Management (**IAM**) software, Entra ID, did not interoperate seamlessly with non-Microsoft IAM software.⁴³ Customers also reported that Entra ID is better integrated with Microsoft's on-premises legacy Active Directory (which is IAM software operating on-premises only) than other providers.⁴⁴ We understand that technical restrictions, such as cryptographic certificates, may restrict customer choice to Microsoft's security software (including IAM and threat detection and protection software such as Defender) over competitor security software.⁴⁵ Microsoft's Productivity Software Suite is differentiated from its competitors partly through the range of functions

³⁵ Cloud MI, paragraph 7.173.

³⁶ Cloud MI, paragraph 7.123 and Table 7.1.

³⁷ Cloud MI, paragraph 7.124.

³⁸ Cloud MI, paragraph 7.132.

³⁹ Cloud MI, paragraph 7.134.

⁴⁰ Cloud MI, paragraphs 7.148 and 7.149.

⁴¹ Cloud MI, paragraph 7.148 and Table 7.2.

⁴² Cloud MI, paragraphs 7.153 and 7.154.

⁴³ Cloud MI, paragraph 6.211.

⁴⁴ Cloud MI, paragraph 6.212.

⁴⁵ [Cloudflare's response to the provisional findings, February 2025, Cloud MI](#), page 6.

and capabilities it provides, including through additional applications, security and IAM products included in the software package.⁴⁶

24. In relation to its Security Software, the CMA’s initial information gathering suggests that Microsoft’s offer may be differentiated from that of its rivals. Microsoft has stated that security is one its three core business priorities and a non-negotiable for consumers, alongside quality.⁴⁷ Microsoft has differentiated itself publicly through its integrated offering of identity, security and device management.⁴⁸ Microsoft includes a version of its Defender, Intune and Entra ID products in its popular E3 and E5 bundles.⁴⁹ The CMA understands that the interoperability of these products with other products in Microsoft’s Business Software Ecosystem may provide a competitive advantage, for example, due to compatibility, reducing administrative burden, and offering a unified threat detection and device management system.⁵⁰
25. Other authorities have made findings in relation to Microsoft’s market power and there are reasonable grounds to consider these may also apply in the UK:
- (a) The European Commission’s 2025 *Microsoft Teams* decision preliminarily found that Microsoft would hold a dominant position in the worldwide market for SaaS productivity applications for professional use since at least 2017.⁵¹ Microsoft would also have market shares of (i) more than [70-80]% in the worldwide market for SaaS productivity applications for professional use since at least 2017 and (ii) over [60-

⁴⁶ Cloud MI, paragraph 7.186.

⁴⁷ [Microsoft 2025 Annual Report](#) (accessed 12 May 2026): “To deliver on our mission, we remain focused on three core business priorities as our North Star: security, quality, and AI innovation. Security and quality are non-negotiable.”

⁴⁸ [Microsoft identity threat detection and response combines IAM and XDR | Microsoft Security Blog](#) (accessed 12 May 2026): “At Microsoft, we see ITDR as an integrated partnership between two historically separate, but critically important, disciplines: identity and access management (IAM) and extended detection and response (XDR).”; [Microsoft: Our ‘Holistic’ Approach To Security Is Superior | CRN](#) (accessed 12 May 2026), which refers to a statement made by Microsoft CEO Satya Nadella in 2021: “What differentiates our approach is organizing identity, security and compliance—as well as device management—in an interdependent whole, extending protection to all data, devices, identities, platforms and clouds,” (accessed 12 May 2026).

⁴⁹ [Microsoft 365 Security Plans | Microsoft Security](#) (accessed 12 May 2026).

⁵⁰ [8<]

⁵¹ [EC Teams](#), paragraph 117. The EC’s decision defined a market for SaaS productivity applications for professional use as the tying market (SaaS referring to the provision of the software as a service ie software being hosted on cloud infrastructure of the supplier’s choice that is licensed and made available to customers under a subscription model) for the purposes of its antitrust investigation in Microsoft’s Teams. The CMA is not required to conduct a formal market definition assessment for the purpose of describing a digital activity (CMA194, paragraphs 2.63-2.64 and Explanatory Notes to the Act, paragraph 109). As noted above, this SMS investigation relates to Microsoft’s provision of the digital activities set out in paragraph 5, however accessed and deployed.

70] % in unified communication products (such as Microsoft Teams) on a worldwide basis between 2019 and 2023.⁵²

- (b) Under the Digital Markets Act, the European Commission has designated Microsoft as a gatekeeper in relation to the Windows PC OS, in which it has an entrenched and durable position.⁵³
- (c) Under the German Competition Act, the Bundeskartellamt has designated Microsoft as an undertaking of paramount significance across markets. The English summary accompanying its final decision states that Microsoft has established or is establishing a ‘*dominant position*’ for PC OS, ‘*strong or very strong*’ market position for Server OS and Microsoft 365 (part of Microsoft’s Productivity Software Suite).⁵⁴

26. The CMA has reasonable grounds to consider that Microsoft’s position in the provision of its Business Software Ecosystem may be entrenched. The strength of Microsoft’s market power, as outlined above, is indicative of its likely position in the coming years.

27. While technological developments such as AI are likely to create new use cases and services in business software, Microsoft is well placed to offer AI capabilities to be used with its Business Software Ecosystem given its existing customer base and the ecosystem effects it may benefit from. For example, Microsoft’s CEO Satya Nadella stated in Microsoft’s FY26 Q2 earnings call that: “*Microsoft 365 Copilot’s accuracy and latency powered by Work IQ is unmatched, delivering faster and more accurate work-grounded results than competition.*”⁵⁵ In relation to Work IQ that powers Microsoft 365 Copilot, Microsoft’s CEO Satya Nadella also noted that “*the most important database underneath for any company that uses Microsoft today is the data underneath Microsoft 365.*”⁵⁶

⁵² [EC Teams](#), paragraphs 88 and 144(a).

⁵³ [DMA.100026 Microsoft – operating systems, European Commission designation decision of 5 September 2023](#), paragraphs 15, 16(b), 39.

⁵⁴ [Bundeskartellamt Decision](#).

⁵⁵ [Microsoft Fiscal Year 2026 Second Quarter Earnings Conference Call](#) (accessed 12 May 2026).

⁵⁶ [Microsoft Fiscal Year 2026 Second Quarter Earnings Conference Call](#) (accessed 12 May 2026).

Microsoft may have a position of strategic significance (POSS) in respect of its Microsoft's Business Software ecosystem (sections 2(2)(b) and 6 of the Act)

28. Microsoft may have POSS in respect of its Business Software Ecosystem and each of the digital activities in paragraph 5 of this Notice for at least one of the following reasons:

- (a) In relation to the condition in section 6(a) of the Act, Microsoft has achieved very significant size and scale in the supply of its Business Software Ecosystem, being used by a very high proportion of UK organisations; and in relation to the condition in section 6(b) of the Act, a significant number of other undertakings may use Microsoft's Business Software Ecosystem in carrying on their own business, for example:
 - (i) As noted at paragraph 18(b), we estimate that more than [20-30] million users in organisations in the UK use the products in Microsoft's Business Software Ecosystem.⁵⁷
 - (ii) As noted at paragraph 24, Microsoft states that its products are important to other undertakings: "*Our infrastructure and services are mission critical for the world.*"⁵⁸
- (b) In relation to the condition in section 6(c) of the Act, Microsoft's position in its Business Software Ecosystem may allow it to extend its market power to a range of other activities. For example, the Cloud MI found that Microsoft's licensing practices are adversely impacting the competitiveness of AWS and Google in the supply of cloud services, particularly in competing for customers that purchase cloud services which use the relevant Microsoft software as an input.⁵⁹
- (c) In relation to the condition in section 6(d) of the Act, Microsoft's position in respect of its Business Software Ecosystem allows it to determine or substantially influence the ways in which other undertakings conduct themselves. As part of the Cloud MI and broader horizon scanning, the CMA has also heard from some rivals that they can face limitations in how they integrate with Microsoft business software – products that are

⁵⁷ CMA analysis of Microsoft response to the CMA [3<].

⁵⁸ [Microsoft 2025 Annual Report](#).

⁵⁹ [Summary of Cloud MI](#), paragraphs 35 and 36(c).

core to how most UK businesses and large parts of the public sector operate.