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Competition Authorities Open Case Against Yandex for Abusing Search Dominance

Russia's largest search engine is accused of promoting its own services at the expense of its rivals.

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Yandex is Russia's most valuable technology company. **Sergei Konkov / TASS**

Russia's competition watchdog has launched a formal probe into Yandex, alleging the country's largest technology company could be abusing its dominant position in the search market to promote its own services at the expense of competitors.

The Federal Anti-Monopoly Service (FAS) said Tuesday that Yandex has failed to comply with a previous warning that it must stop favoring its own products in search results.

Shares in the technology giant, which is listed on the U.S. Nasdaq exchange and often referred to as "Russia's Google," dropped 5% on the news.

Yandex hit back against the FAS allegations, saying in a statement reported by the state-run TASS news agency that it disagrees with the charges that it restricts competition and is ready to defend its position.

"Enriched search responses are a global practice — all search engines provide such extended responses to users. Over 30,000 companies are already using our enriched response technology for free," the statement said.

The investigation mirrors other long-running competition battles between regulators and Google over how it displays its own services and products in search results. Russia is one of the few global markets where Google is not the leading search player, with Yandex accounting for more than half of the online search market.

The FAS said in a statement it believes "Yandex offers preferential opportunities for other services of the Yandex Group to promote their services and attract the attention of consumers in the Yandex search engine."

"Such actions may lead to the creation of discriminatory conditions in adjacent markets."

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As well as being the country's top search engine, Yandex also has a sprawling network of online and offline services, including an online streaming service, a food delivery app, the country's largest taxi service, GPS and maps, a fast-growing e-commerce site, email, cloud data services and more — in essence, Russian equivalents of Netflix, Amazon, Uber and Google.

Authorities issued Yandex with a warning in late February saying it must provide equal opportunities for its competitors to promote their services, following a formal complaint from a host of rival companies sent last year. In a statement Tuesday, the FAS said Yandex had not complied and it would be pressing forward with a formal case against the technology giant.

The FAS said Yandex must present search results based on a uniform ranking system so that the most relevant appears at the top.

Should the authorities levy a formal charge against Yandex, the fine could hit 2% of the company's total revenues — equivalent to $60 million — in a worst-case scenario, analysts say.

Mikhail Terentiev, head of research at Sova Capital, said the case signals Russia's growing regulatory interest in the sector and warned that the dispute "could take some time to resolve."

The case is seen as a key battle in the development of Russia's online space and the fragile relationship between Yandex, Russia's largest and most successful technology company, and the Kremlin.

Related article: Yandex Is Safe for Now, but Kremlin Compromise Is Fragile

In 2019, Yandex was forced into a corporate governance overhaul, involving the creation of a Kremlin-friendly oversight board with the ability to block the sale of stakes worth more than 10% of the company and oversee any corporate deals involving user data, intellectual property and partnerships between Yandex and foreign governments.

The company has previously come under fire from digital rights activists for being too willing to comply with requests to share user data with Russia's security services, and has also benefited from Russia's push towards a so-called "sovereign internet," with laws mandating the pre-installation of Yandex apps on smartphones sold in Russia.

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