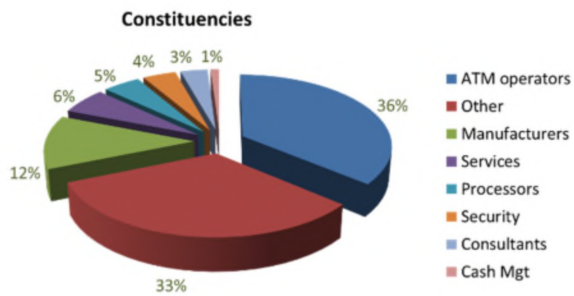
ATM Industry Demographics, Issues and Concerns

ATMIA – the ATM Industry Association

ATMIA is the non-profit trade association representing the entire global ATM industry, serving more than 10,500 members from over 650 participating companies in 67 countries. Membership spans the entire ATM ecosphere, including financial institutions, independent ATM deployers, equipment manufacturers, processors and a plethora of ATM service and value-added solution providers. ATMIA provides education, advocacy and connections to help its members keep abreast of industry news and developments; increase knowledge and professionalism; improve operational efficiencies; understand and influence regulatory processes; participate in the local, regional and global ATM community; and forge new relationships to advance their businesses.



Founded in 1997 here in the U.S., ATMIA now has active chapters in Canada, Europe, Latin America, Asia-Pacific, Asia, Africa, India and the Middle East focusing on the unique needs and issues of each region.

ATM Industry Facts and Demographics

The U.S. consumer and banking customer today enjoy the most convenient access to cash of any region in the world. According to ATMIA estimates, there are 475,000 – 500,000 ATMs deployed in the U.S. Although we also enjoy a very robust banking system of over 13,000 financial institutions, 200 or so ISOs (Independent Service Organizations) and their affiliates account for 66% of all ATMs (according to a 2018 ATMIA/Tremont Capital Group study).

A recent ATMIA survey determined that 79% of those ATM operators have less than 500 ATMs and 41% of respondents have fewer than 100 ATMs. And a large number of them are retail merchants with a single ATM in their store or restaurant – who consider it to be very important to their business. A 2017 cash study by Cardtronics found that 59% of convenience store transactions are cash. Numerous other studies have shown that the presence of an ATM has a significant impact on in-store sales and revenue. It is easy to understand why the ATM industry is such an important part of our financial services ecosystem.

As foot traffic in bank branches has declined, reliance on the ATM has grown. It is critical that bank and independent operators alike are allowed to conduct business in a healthy economic and regulatory environment. ATMIA continues to support consumer payment choice and the wisdom of free-market forces.

Industry Issues and Concerns

Operation Choke Point

Operation Choke Point (OCP) was an initiative kicked off in March 2013 by the Department of Justice Consumer Protection Working Group to stop banks and payment processors from providing financial services to merchants that were suspected of consumer fraud. DoJ partnered with financial regulators, including the FDIC, the Federal Reserve Board and the Office of the Comptroller of the Currency, to identify merchants that pose a “high risk”. Although independent ATM deployers (IADs) were never specifically identified as targets of OCP, many have had their cash and settlement accounts closed, simply because those accounts allegedly meet some of the warning signs FIs have been instructed to

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look for – specifically, significant fluctuation in the amount of funds flowing thru the account from month to month. In many cases, such action has ended decades-old banking relationships.

Despite the DoJ's public statements last year that the initiative has been terminated, it is clear that OCP continues to cause banks to terminate their relationships with a wide variety of merchants, including many lawful and legitimate businesses, such as those that own and operate ATMs. ATMIA has continued to receive copies of account closure letters since that announcement.

ATMIA strongly supports H.R. 2706, the Financial Institution Customer Protection Act. We do, however, have concerns that H.R.2706 by itself will be insufficient to correct the problem that OCP has thrust upon our industry. The regulatory costs and burdens that are forcing financial institutions to shun legitimate businesses, simply because their business happens to be cash, need to be adjusted to a more reasonable level. Cash is an inventory item for ATM operators – and all businesses see fluctuations in inventory. Even FinCEN makes allowances for reduced reporting under such circumstances.

CFPB Management and Funding

ATMIA supports H.R. 1266, the Financial Product Safety Commission Act. It is common-sense, bipartisan legislation that would create a five-member board at the Consumer Financial Protection Bureau (CFPB) and provide a smooth transition process for continuity of leadership at the Bureau.

A commission would serve as a source of balance and stability for consumers and the financial services industry by encouraging internal debate and deliberation, ultimately leading to increased transparency. Moreover, a commission would further promote the CFPB's ability to make bipartisan and reasoned judgments to ensure consumers receive the protection they deserve, which in turn would help strengthen the economy; and avoid the risk of politically motivated decisions causing uncertainty and harm to consumers. Although it is not part of the current bill, ATMIA also supports a change in CFPB funding that would make it accountable to Congress and a part of normal budgetary processes.

Dodd-Frank and Durbin Amendment Reform

The ATM industry in general supports the much-needed reform of Dodd-Frank, which has crushed the formation of new community banks since its passage. New banks are the lifeblood of our financial services ecosystem. Without them, many consumers and smaller communities have inadequate access to cash and remain underserved for many consumer financial services. Since 2010, we have been losing over 100 community banks each year, while only one new bank has been chartered as a replacement.

Changes to the Durbin Amendment are also needed. As an example, the Durbin Amendment provided merchants with the right to choose how the consumer card payments they accept are routed through payment networks, by allowing them to choose which of the networks supported by the consumer's issuing bank is used. Such flexibility can serve as an important tool for managing payment processing costs.

ATM operators were specifically excluded from those same rules. Since networks set both fees and interchange, and routing defaults to the issuing bank, operators are left with no ability whatsoever to influence <u>their</u> transaction costs. ATMIA supports changes to the Durbin Amendment that would forbid networks from interfering with ATM operator/acquirer routing choice – similar to the structure already in place for merchants.

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