Position Paper in Support of ATM Convenience Fees in Europe

The ATM Industry Association (ATMIA)\(^1\) believes that the freedom to apply an ATM fee directly to the cardholder for ATM transactions is a fundamental economic and business right for ATM Operators\(^2\) in Europe and is a practice which invariably leads to greater convenience, choice and fee transparency in accessing cash and financial services for European consumers.

### Background and Rationale

The continuing erosion of ATM interchange rates\(^3\) in markets across Europe has raised alarm bells in several industry quarters.

At the same time, security and compliance costs have risen for ATM operators during the past decade. The combination of diminishing revenue and substantially increased costs has resulted in the squeezing of commercial viability and the elimination of ATMs from typical low transaction locations such as rural, low and seasonally populated and socially-deprived areas. This squeeze is now threatening the stability of the whole ATM market which for years has been characterised by non-bank operators as well as banks installing convenience ATMs in locations away from bank branch, but close to where people live, work and shop. Convenience ATMs have become a bedrock of today’s modern, consumer economies. That is why these ATM fees should not be automatically assumed to be of a disadvantage to the consumer. They can work out to be less than the cost of local transport to the nearest ‘free to use’ ATM. Nor should the time-saving benefits of convenience ATMs be overlooked.

The potential widespread de-installation of convenience ATMs, as a result of stifling restrictions on charging ATM fees, would damage the local communities and the businesses of retailers located near ATMs. This is because cash spending in the vicinity of convenience ATMs dramatically declines following their removal. Convenience store retailers typically see the average spend increase by 65 per cent after using an in-store cash machine according to independent research conducted by Harris International Marketing.

It is vital that ATM operators, or a group of operators working under an ATM scheme (national or pan-European), should be able to exercise the commercial freedom to select the route to economic viability for all

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\(^1\) The ATM Industry Association ([www.atmia.com](http://www.atmia.com)) is a global, non-profit trade association serving all businesses and groups in the ATM industry. The association is made up of over 3,300 members in 60 countries.  
\(^2\) Commercial, co-operative and savings banks, independent ATM Deployers (IADs) and SEPA-registered payment institutions. The association believes that ATMs should be placed in both bank branch and off premise sites, as well as in both rural and urban locations, in order to provide the essential service of safely dispensing cash and other services, as far as possible, to as many European consumers as possible.  
\(^3\) The interchange fee is the amount that an issuer (the cardholder’s bank) pays to the acquirer (i.e. the ATM operator) for the provision of cash and/or other banking services.
bank-branch and convenience ATMs: interchange between card issuers and ATM acquirers; a direct transparent charge to the cardholder; or a combination of both. With each freedom, comes responsibility. One such responsibility is that ATM operators should be transparent about their fees at all times. ATMIA promotes transparency of fee charging for consumers at ATMs and supports the transparency obligations under the Payment Services Directive (2007/64/EC). 4
The de-installation of ATMs in markets across Europe would be both economically and socially disastrous.

Take, for example, the role of the ATM channel in providing access to the services of basic bank accounts for people living a variety of socio-economic backgrounds. ATMs, in fact, can provide four of the eight benefits of access to a basic bank account identified in the European Parliament’s ECON Study on Basic Banking Services, namely:

- Access to money transmission services
- Lower transactions costs on payments and receipts
- Quicker access to funds
- Reduced sense of financial exclusion

In addition to undesirable social consequences of reducing access to banking services that would result from de-installation of convenience ATMs, the economic repercussions for merchants and retailers, who benefit economically from having access to cash near their business outlets, would be significant in terms of lower annual sales. Furthermore, a merchant-replenished ATM also allows cash to recycled in the store without the need to banking or cash replenishment charges.

**Recommendation**

For the above reasons, ATMIA supports the removal of any rules by the card schemes that prohibit an ATM operator (or group of ATM operators working under an ATM scheme arrangement) from exercising the commercial freedom to select the route between interchange, direct transparent fees or a combination of both.

Without the economic freedom to apply these charges, ATM operators are artificially being held back from developing successful business models for their ATM and self-service banking operations, which has become so central to modern consumer economies.

**Conclusion**

For the above reasons, ATMIA is calling for the discontinuation of all card scheme restrictions on ATM convenience fees throughout Europe, and the development of national and pan-European networks which are fair, transparent and truly competitive, allowing the healthy co-existence of bank branch ATMs and off-

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4 Before a payment service is undertaken, the payment service providers needs to provide the user with, among others, detailed terms and conditions, including information on the payment service provider itself, features of the payment service and its associated charges. After each payment, the user needs to be informed of the payment amount, its date, and related charges.
premise, retail ATMs to provide cash and other services to as broad a spectrum of the general public as possible.

Appendices

1. The Many Socio-Economic Benefits of ATMs
2. Case Study - Direct Charging at ATMs in Finland
3. Case Study - Direct Charging at ATMs in Germany
4. Cash Study - Direct Charging at ATMs in the UK

Appendix 1: The Many Socio-economic Benefits of ATMs

• Since 1967, the ATM has provided cardholders with 24 x 7 access to their safely-banked cash. With the touch of a few buttons, they can withdraw cash, make deposits, pay bills (and even fines), do balance enquiries, buy tickets, top up cell phone air time, send remittances and transfer funds. ATMs save cardholders transport costs and time by bringing self-service banking into the convenient non-branch locations near to where they live, work and shop.

• Due to the ubiquity of ATMs, people carry less cash on their person as they can draw money from their accounts conveniently 24 x 7 – this leads to lower average cash losses during muggings and robberies.

• ATMs can be used to reach the unbanked and under banked through basic bank accounts for low income groups linked to an ATM card – an important step towards greater financial literacy for the poor.

• Retail purchases outside of banking hours, using cash from ATMs, have driven the extension of shopping hours beyond previous limits, providing for greater sales, greater employment opportunities and greater convenience for today’s European consumer.

• ATMs have proved a form of free technology training for the public to become more technologically literate in the field of financial self-service - the simplicity of ATM transactions, proven by its worldwide popularity, gives citizens confidence and experience in using important modern self-service technology.
Appendix 2: Case Study - Direct Charging at ATMs in Finland

Finland with 1,686 ATMs (2010)\(^5\) has the lowest level of ATM density in Europe at 325 ATMs per million inhabitants.

This low density in ATM results in Finland showing the highest levels of transactions per ATM at 106,000 per month (2009). The next closest is almost half this level at 58,000 transactions per month in Malta (2009). The monthly transaction value per ATM is €9.69 million which is also the highest level in Europe. \(^6\)

There is one major network of ATMs in Finland known as “OTTO” which is operated by Automatia, which was founded in 1994 by Union Bank of Finland, Kansallis-Osake-Pankki, Okobank and Postipankki. In 2004 the other ATM network, Samlink, joined Automatia.

Through this pooling system it means that the banks do not compete for business via the ATM channel and this has directly impacted the number of ATMs installed, being the key reason for the low ATM density. Another reason lies in Automatia’s rules that financially penalize retailers with low transacting ATMs, so retailers will only keep an ATM on their site if they can meet the minimum threshold that Automatia has set.

In 2009 Eurocash, an independent ATM operator, owned by Kontanten of Sweden entered the Finnish market to start providing ATMs in locations that are convenient for consumers. As Eurocash could not participate in the Automatia network, it operates on the Visa and Mastercard schemes and until August 2011, it earned revenues on interchange alone.

The Finnish banks responded by charging a disloyalty fee to their customers who used the Eurocash ATMs, which the competition authorities allowed on the basis that the banks had to meet the cost of interchange paid to Eurocash.

On May 1st 2010 the Payment Services Directive (as per Single Euro Payments Area regulations) was transposed into Finnish national law. Within the Finnish adaption of PSD there is now a provision for direct charging at ATMs which was first exercised by the independent deployer, Eurocash in August 2011.

Visa Europe, despite its universal ban on charging at ATMs, has had to except and process these direct charges on its scheme as charging at ATMs is permitted under Finnish law.

However one hurdle remains for the Finnish card holder in that the banks have not yet removed the disloyalty fee for ATM transactions on these charging ATMs which presents a violation to the ruling of the competition authorities.

Overall, this facility to collect direct charges at ATMs will result in more ATMs in Finland as it reduces the need to ensure extremely high transactions levels for economic sustainability of the ATM through interchange alone and the willingness of the Finnish consumer to pay this direct charge demonstrates that there is a need for wider provision of cash services in Finland through the installation of ATMs in convenient locations.

This case study shows where national legislation has facilitated the practice of direct charging at ATMs and given consumers the opportunity for more convenient access to cash.

\(^5\) Retail Banking Research
\(^6\) ECB Statistics Warehouse
Appendix 3: Case study - Direct Charging at ATMs in Germany

Cash is king in Germany. Cash is used in 82.9% of all retail transactions and accounts for 57.9% of the value of payments in Germany.\(^7\)

There are 58,282 ATMs in Germany: 46% are operated by savings banks, 35% by co-operative banks and 15% by commercial banks and independent ATM deployers operate 3%.\(^8\)

On January 15\(^{th}\) 2011, the Deutsche Kreditwirtschaft, the association of the German banking industry, introduced a new scheme for the practice of direct charging at ATMs. This new scheme was set in place for the “girocard” which is the superordinate and umbrella brand for both debit payment schemes, the electronic cash system (point of sale) and the German ATM system. Currently, over 90 million girocard cards are in circulation. The revised ATM fee scheme received the full backing of German competition authorities and the German Ministry of Consumer Protection.

So from January 15\(^{th}\) 2011, banks were prohibited from using the previous system of disloyalty fee and interchange on ATM transactions between banks ceased to exist.

The new rules stipulate that an ATM operator must display the amount to be charge before dispensing the cash and the consumer must be presented with the option to cancel the transaction should they not wish to pay the direct charge. The charge has to be applied in a non discriminatory manner. The existing network agreements, however, remain in place. This applies to the three major groups of financial institutions: commercial banks (both the Cash Group and the Cash Pool sections), savings banks and co-operative banks, therefore still enabling most ATM transactions to be performed free of charge for the customers. With the new ATM fee system, any additional (issuer) fees additional were forbidden - so the price the customer sees at the ATM is the only and final price for the service.

The general rationale behind the introduction of direct charging is two-fold:
- firstly that the cost of using an ATM that is not operated by a customer’s bank is fully transparent to the German consumer ,
- and secondly that there is improved competition amongst the ATM operators who are now in a position to earn appropriate revenues for providing cash services to the clients of other banks or payments institutions.

As a result of the new transparency, the German ATM industry is witnessing significantly falling prices in ATM charges and a cost consciousness from the customers. Under the old disloyalty fee/interchange system, customers ended up being charged on their bank statement between €5-10 for using an ATM not operated by their bank. Today direct fees at ATMs range from €1.60 to €6.99.

So there are clear cost and transparency benefits for the German consumer from this new ATM scheme.

However, there is still one hurdle in place that is preventing the German market from the full deployment of this scheme. Visa Europe is still insisting that its European-wide ban on surcharging at ATMs remain in force. They do this on the technicality, that as these Scheme rules for direct charging at ATMs are not written in German law, their scheme rule banning charging at ATMs still applies.

\(^7\) Bundesverband Deutscher Banken e.V.
\(^8\) Retail Banking Research
This in turn causes the Mastercard ruling on surcharging to kick in, as under their rules a direct charge can only be applied to their cardholders if it is applied to all card types that the ATM will accept.

Hence an ATM operator which wishes to charge Mastercard holders for cash services must have their ATM switched off from the Visa system, ie. the ATM will not service Visa card holders.

Where the ATM operator is not permitted by Visa or Mastercard to charge the cardholder direct, then they will receive an interchange fee from the card schemes. From this interchange the ATM operator will receive around 45-60% after charges are deducted. From this remaining amount, all costs and expenses must be met, e.g. depreciation, logistics, physical security, etc.

So the situation for ATM transactions on domestic credit cards, international credit cards and international debit cards remains very much a patchwork of charging practices by ATM operators as they try to find the right commercial equation for servicing these cardholders at each of their ATM sites. And some of these cardholders will find that their cards are not readily accepted by ATMs in Germany.

A further aggravation to the situation is presented by the marketing practices of the new breed of internet banks who typically do not invest in extensive self-service or branch infrastructures to service their customers.

These banks are currently issuing visa-branded credit cards to their account holders and offering them free cash services on these cards at any ATM in the German network as they will pick up the costs of interchange via the Visa system.

This practice means that the other banks are providing cash services to the customers of the internet banks at less than the real cost that they are incurring.

This case study highlights how the current ban on surcharging by Visa Europe has hindered the full operation of a truly transparent and openly-competitive scheme for the provision of ATM services in this market.
Appendix 4 - Cash Study: Direct Charging at ATMs in the UK

The UK’s LINK ATM Network was founded in the 1980’s. Since 2001 when Independent ATM Deployers (IADs) were allowed to join, LINK has connected virtually every ATM in the UK.

The LINK Network is a membership scheme and membership is open to IADS as well as the financial institutions (FIs) – card issuing and acquiring. At the end of 2011, LINK reported around 65,000 ATMs in the UK, of which about 34,750 were operated by FIs and 30,250 operated by IADs.  

According to Retail Banking Research, in 2009 the UK with just over 63,500 ATMs had an ATM density of 1,045 ATMs per million inhabitants, the third highest in Europe (behind Spain & Portugal).

The Bank of England reports that 71% of cash is currently circulated into the economy via ATMs in the UK.  
This is the highest statistic reported in Europe.

The LINK Scheme is set up so that the ATM operator (IAD or FI) can make the commercial decision to operate a ‘free-to-use’ or “pay-to-use” ATM. 

A ‘free-to-use’ ATM will earn interchange on cash withdrawal and balance enquiry services provided to the cardholder. 

A “pay-to-use” ATM will charge the cardholder a direct fee for making a cash withdrawal. There are strict rules under the LINK Scheme on the transparency of such charges. The ATM and associated signage must clearly state that a charge will be made for a cash withdrawal. In addition, the cardholder must have the option during the transaction to either accept or refuse the displayed charge. In the event of a refusal, the transaction is cancelled.

Under the rules of the LINK Scheme, where an ATM operator makes a charge for cash withdrawal, they forgo the LINK interchange payment that applies to cash withdrawals at “free-to-use” ATMs. 

At the end of 2011, 67% of the ATMs in the LINK Scheme were ‘free-to-use’ and 33% were ‘pay-to-use’ ATMs. However, the “pay-to-use” ATMs were responsible for only 2.8% of the total cash withdrawals that year. 

Cash withdrawals subject to a charge have been on the decline in the UK in recent years. The highest level they reached was 4.3% of total cash withdrawals in 2006.  

The decline can be attributed to three main reasons:  
1. An increase in the number of “free-to-use” ATMs, including in low-income areas. 
2. Restrictions on ATM access imposed by a number of FIs.  
3. Increased consumer resistance to paying for cash withdrawals in the worsening UK economic climate. 

Notwithstanding recent market trends, “pay-to-use” ATMs continue to provide a valuable service to UK consumers. Whether located in leisure and entertainment areas often ignored by FIs or in low footfall

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9 LINK
10 Bank of England
11 LINK
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locations where a “free-to-use” ATM would simply not be viable, the fact that around 80 million cash withdrawals were carried out at “pay-to-use” ATMs in 2011\(^{13}\) underlines the importance of such machines.

The LINK Scheme is now regarded as being one of the best ATM networks globally as it provides:

- UK consumers with convenient access to cash. Nearly 70% of the UK ATMs are situated away from bank branches, near where consumers live and work.
- a stimulus to retail business. Most shopping malls and local shopping centres now have at least one ATM, whether or not there is a bank branch nearby.
- transparency in relation to charges made for cash withdrawals at “pay-to-use” ATMs.
- the ability for non-banks to operate ATMs in the UK, meaning that it is one of the EU countries that have been ahead of the EU’s SEPA/PSD requirements for non-banks to be able to obtain an acquiring licence.

This case study highlights how the LINK ATM Scheme has facilitated the full operation of a truly transparent and openly-competitive scheme for the provision of ATM services in this market. Providing LINK can deal with some current issues\(^{14}\) appropriately, the UK public’s enduring love affair with cash as a payment method should ensure a successful future for this World-renowned ATM Network.

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\(^{13}\) LINK

\(^{14}\) There are a number of issues that LINK is currently facing including

- how to ensure that interchange is set at economic levels to enable that ATM operators to continue to provide the UK Public with convenient access to cash.
- consideration of possible revisions to the ownership structure and governance of LINK to enable the organisation to meet the increasingly complex challenges facing all payment schemes.