

ATM Convenience Fee Position Paper



Produced by the ATM Industry Association

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Position

ATMIA¹ believes that the freedom to apply a convenience fee on ATM transactions is a fundamental economic and business right for both Independent ATM Deployers (IADs) and all financial institutions, and is a practice which is conducive to greater convenience, choice and fee transparency for consumers.

The freedom to apply a convenience fee is particularly critical in light of anti-competitive pressures from the imposition of EMV and exorbitant increases in card scheme fees.

¹ The ATM Industry Association is a global, non-profit trade association serving all businesses and groups in the ATM industry. The association has over 6,000 members in 66 countries. ATMIA currently represents over one million ATMs internationally. For more information, go to www.atmia.com

Background

The ATM Industry Association, the only global non-profit trade association for the ATM industry, has witnessed the long-term erosion of interchange in several world markets. At the same time, compliance costs and network fees have risen significantly for ATM deployers during the past decade. The combination of diminishing revenue and substantially increased costs has resulted in the squeezing of profit margins and the elimination of many small to medium-sized independent operators.

In this period, ATMIA has continued to promote industry best practices, including fee transparency at ATMs. All payment methods need to stand the test of having their real costs met and accepted by users. Allowing differential convenience fees to be applied to ATM transactions meets this market test.

The association believes that ATMs should be placed in both bank branch and off-premise sites, as well as in rural and urban locations, in order to provide the essential service of safely dispensing cash and other services to as many citizens as possible, including lower income groups and the unbanked. Consumer and retail studies reveal the continued dependence of people across society on cash, especially for small-sized payments, where cash has an unassailable global niche in the payments industry.

With ATMs being required in the high street near bank branches as well as in multiple off-premise locations, the co-existence of interchange systems and convenience fee systems remains essential for the preservation of our dual-sector ATM industry.

The widespread loss and removal of convenience ATMs, as a result of stifling restrictions on convenience fees on the ATM networks, would seriously damage retail businesses located near ATMs, since cash spending in their vicinity dramatically declines following the removal of retail ATMs.

Bans and restrictions on ATM convenience fees, including restrictions on differential fees, whether domestic, national or international, are a threat to the model (advocated as best practice by ATMIA) of an ATM industry servicing a broad, society-wide customer base with conveniently located, competitively priced, fee-transparent ATMs in both urban and rural environments.

Recommendation

ATMIA urges all ATM networks to remove any rule that prohibits differential variable ATM convenience fees. The removal of such restrictions, stifling competitive price movements, would encourage the use of more cost-effective networks and make ATM networks far more competitive and sustainable for a dual-sector industry than is currently the case.

Without the economic freedom to vary cost-based prices to respond to upstream price signals from the networks, independent deployers are artificially and unfairly held back from developing successful business models for the whole ATM convenience market, which has become so central to modern consumer economies.

Conclusion

ATMIA recommends:

- The discontinuation of all network restrictions on variable ATM convenience fees throughout the world,
- The removal of so-called “honor all cards” requirements, and
- The development of national and international networks which are fair and truly competitive.

The adoption of these recommendations will allow the healthy co-existence of bank branch ATMs and off-premise, retail ATMs to provide cash and other services to as broad a spectrum of the general public as possible.

The inability to vary cost-based ATM convenience fees in response to supply and demand dynamics will lead inevitably to a shrinkage of the convenience ATM market, as is happening already in some regional markets; which, in turn, will reduce expenditure of cash at retail locations, and thereby damage consumer economies around the world.

This variable, cost-based ATM convenience fee model is win-win-win-win for all participants:

- A win for consumers,
- A win for deployers,
- A win for retailers, and
- A win for communities dependent upon cash and other ATM services.