

**ATMIA POSITION PAPER REGARDING RESTRICTIVE ATM  
TRANSACTION ROUTING CHOICES UNDER EMV**

**Position: ATMIA contends that it is imperative that all national and regional networks jointly collaborate with the overall ATM industry to find a common solution that allows ATM deployers to retain the open market flexibility to make routing choices.**

The ATM Industry Association (“ATMIA”), a global ATM industry trade association with more than 3,500 members in 60 countries and representing 1 million ATMs around the world, has retained Tremont Capital Group, Inc. (“Tremont Capital Group”) to conduct an analysis of routing choices at ATMs under Europay, MasterCard and Visa (“EMV”).

**BACKGROUND**

ATM deployers are dependent on surcharge and interchange income to cover transaction costs, and, in some cases, make a small profit on certain transactions. However, net interchange income received by ATM deployers has deteriorated significantly in recent years due to new pricing structures implemented by certain networks.

Under the current magnetic stripe card operating model, the best way for an ATM owner to survive and remain sustainable is to manage interchange effectively. This often involves carefully monitoring fluctuations in interchange rates and, for each specific transaction, matching the best possible routing option between networks available to that ATM and the networks available to the card being used. This open market approach has allowed ATM deployers and processors to determine which network is used for each transaction.

However, routing choices could be severely restricted with the implementation of EMV as proposed and currently contemplated by Visa and MasterCard. During this time of uncertainty, many questions remain that have significant consequences for all ATM deployers.

The primary concern associated with the EMV standard relates to routing flexibility of an “Off-Us” transaction – an ATM transaction in which the card issuer and the acquirer (ATM owner) are not the same and therefore require a network to switch the transaction. Under current EMV specifications, due to the lack of support for flexible routing, ATM deployers would forfeit all choice and flexibility on Off-Us transactions as they relate to routing to networks.

Similar restrictions have typically not been an issue in other countries that have already implemented EMV. For example, in Canada, there is essentially a single domestic network formed or owned by banks. However in the United States, multiple networks exist, which makes EMV migration a far more complicated proposition.

## **RECOMMENDATION**

ATMIA contends that it is imperative that all national and regional networks jointly collaborate with the overall ATM industry to find a common solution that allows ATM deployers to retain the open market flexibility to make routing choices. It appears that this could be accomplished in the following way:

1. All networks make revisions in member rules, if necessary, to ensure that ATM acquirers under EMV are not impeded in making routing decisions based on open market considerations. Similar to how ATM acquirers often make routing decisions under the current magnetic stripe card operating model, ATM acquirers should have the ability to work with existing host systems on evaluating routing choices.

*and*

2. All networks collaborate to agree on a common AID that is open and non-proprietary, that accommodates multiple routing options for all EMV ATM transactions, and which would entail a similar format/process and common governance. .

## **CONCLUSION**

Short of solution above – or similar solutions that incorporate an open market approach – EMV could result in a significant shift in how the ATM industry routes transactions and pays out interchange to ATM deployers. This would have devastating consequences to ATM deployers and make a significant number of ATM locations unsustainable.

Time is running out to resolve these issues. In addition, while it did not directly relate to ATMs, Judge Richard Leon's recent decision regarding the Durbin Amendment has created additional complexity and uncertainty for the entire debit industry and could delay progress in resolving the controversy related to routing choice, as well as the overall implementation of EMV. Regardless of whether or not Judge Leon's decision is ultimately affirmed, the payments industry will have to accommodate multiple routing on debit cards for point of sale and should extend the same solution (whatever it may be) to the ATM industry as well.