



## Universal Cash Deposits for ATMs

A Position Paper by the ATM Industry Association (ATMIA)

### Position

ATMIA believes that the role of Universal Cash Deposit for ATMs will assist communities and businesses in dealing with the decline in bank branches, while making cash itself more competitive in order to protect on-going access to cash for all demographic groups.

### Background

Since the world's first cash-recirculating ATM<sup>1</sup> was installed in Japan in 1982, there has been a gradual rise in the number of deposit-taking ATMs and recirculating ATMs that are shipped annually to markets around the world.

Deposit is a key element of access to cash, both for consumers but, more especially, for retailers and merchants who need to deposit their cash into a bank account frequently and at a reasonable cost. Otherwise, they might become reluctant to accept it on their premises as a form of payment.

The number of bank branches in many countries has been in decline for well over a decade and this trend of bank branch closures has opened up the threat of "cash deserts", where there's no ready access to cash for some communities and businesses.

At the same time, digital forms of payment provide alternatives to cash.

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<sup>1</sup> Also known as a cash-recycling ATM. Note, however, that "recycling" is a term usually applied to the process of converting waste materials into new materials and objects. In this paper, ATMIA is essentially talking about ATMs which recirculate cash deposited at them. That is, the ATM can dispense the cash it has received earlier as a deposit.

These combined pressures increase the need for cash deposits at ATMs to become more universal, so that businesses and citizens can deposit cash, in the form of banknotes (or coins<sup>2</sup>), at ATMs operated by banks other than their own, as well as at ATMs owned or operated by Independent ATM Deployers (IADs).

Universal Cash Deposit may be defined as an interoperable system within an ATM network, or across multiple networks, for accepting cash deposits at enabled ATMs on an “interbank” basis, whereby a customer from one bank may deposit cash at ATMs owned and operated by other banks or by IADs.

### **Rationale**

Deposit-taking ATMs and cash recirculating ATMs lead to greater cost efficiencies in the circulation and distribution of cash – which remains the main service provided by ATMs more than 50 years after their invention. Lower costs may provide the opportunity for lower fees for cash services.<sup>3</sup>

Recirculating/Recycler Branch ATMs can help prevent the practical problem of cash deposit bins filling up.

In the market for off-premise ATMs, such as at Convenience Store (C Store) locations, it’s thought that universal cash deposits could drive more demand to these locations, strengthening the relationship between IADs and retailers like C Stores.

Currently, the volume of reported attacks on deposit and cash recycling machines, whether physical attacks or fraud, remains generally low.

The demise of the bank branch in many communities leaves a gap in the provision of financial services that only ATMs can fill. It reduces convenient access to cash deposit and withdrawal facilities, for both members of the public and businesses. Bank branches have traditionally played the role of accepting deposits of coins and notes, while enabling retailers and businesses to gain access to coins for till floats. Without a sufficient supply of coins, customers can’t be given change.

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<sup>2</sup> It should be noted that currently few ATMs accept coin deposits. Some deployers believe providing coin deposit functionality isn’t feasible from a hardware cost and servicing cost perspective.

<sup>3</sup> Many companies, especially SMEs, perceive the fees by commercial banks for the handling of cash as exorbitant and are calling for lower fees.

Cash-recirculating ATMs can typically process both notes and coins, while allowing subsequent withdrawal of cash by ATM users, thus creating a recycling of cash at reduced costs.<sup>4</sup>

The question for ATM deployers is whether to deposit or to recirculate. In making these deployer-based decisions, there's no "one size fits all".

### **Recommendation**

ATMIA believes that deposit-taking ATMs and recirculating ATMs will be a huge part of the future of the ATM industry and of the cash cycle in most economies. The blueprint for Next Gen ATMs specifies the standard interfaces for the cash-in and cash-out functionality, for both notes and coins.<sup>5</sup>

To promote this excellent technology, the association recommends that each ATM network around the world implements standard Universal Cash Deposit Transaction functionality. This will allow any citizen or business with a bank account to deposit cash at any cash recirculating enabled ATM in that network, or across networks, thus reinvigorating the whole cash cycle and spreading access to cash despite the fall in the number of bank branches.

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<sup>4</sup> The economics of interoperability at ATMs is based on complex econometric research on interchange, including by the 2014 Nobel prize winner in Economics, Jean Tirole (<https://cashesentials.org/tax-digital-transactions-to-fund-post-covid-19-recovery/>), as pointed out by Cash Essentials. An interoperable cash deposit solution, such as advocated in this paper, would work economically on similar principles of interchange.

<sup>5</sup> See <https://www.atmia.com/connections/committees/consortium-for-next-gen-atms/implementation-guide/>