

2019 Cash Settlement Account Closure Survey



Produced by the ATM Industry Association

(Survey closing date: January 25, 2019)

2019 IAD Cash Settlement Account Closure Survey

Survey Background and Objectives

Operation Choke Point (OCP) was an initiative launched in March, 2013 by the Department of Justice (DoJ) Consumer Protection Working Group to stop banks and payment processors from providing financial services to merchants that were suspected of consumer fraud.

The initiative was focused on banks and payment processors, because these institutions are the “so-called bottlenecks or choke-points,” for financing merchants from “high-risk” industries. The DoJ reportedly partnered with financial regulators, including the FDIC, (Federal Deposit Insurance Corporation), the Federal Reserve Board and the Office of the Comptroller of the Currency (OCC), to identify merchants that posed a “high risk” for consumer fraud. It is now clear that OCP led to banks terminating relationships with a wide variety of merchants, including some lawful and legitimate businesses such as merchants who own and operate ATMs.

Despite the DOJ’s proclamation in 2017 that OCP had been terminated, many ATM operators have continued to have their cash settlement and other accounts, apparently in good standing, closed for questionable reasons. Speculation is increasing that current closures may be tied more to bank de-risking strategies or profitability criteria than direct pressure from regulators.

ATMIA created the *2019 IAD Cash Settlement Account Closure Survey* to evaluate the impact of sudden cash settlement account closures experienced by many IADs (Independent ATM Deployers). Many of those accounts were in good standing when closed – and have been for decades. In most instances the reason for the account closure is not revealed.

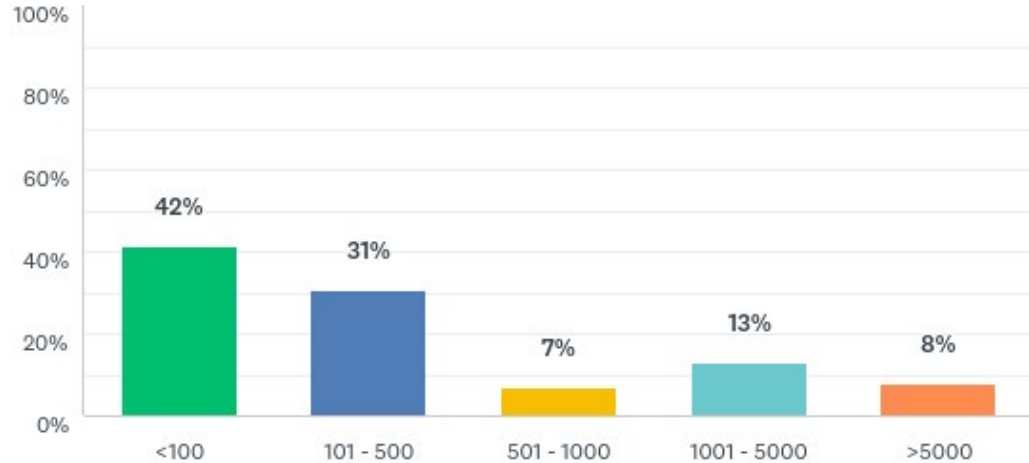
The 2019 IAD Cash Settlement Account Survey seeks to determine how widespread this problem is, what circumstances surround a typical account closure, and how operators are dealing with it. The survey was open to all independent ATM operators/owners/acquirers – both ATMIA members and non-members. But only to independent ATM operators.

The survey consisted of just 13 brief questions, which required only a few minutes to complete. A total of 113 responses were received. All responses are anonymous – IP and other tracking tools were disabled. No personal or other identifying information was collected.

ATMIA is working to create new strategies that can help its members deal with sudden account closure situations, if and when they arise.

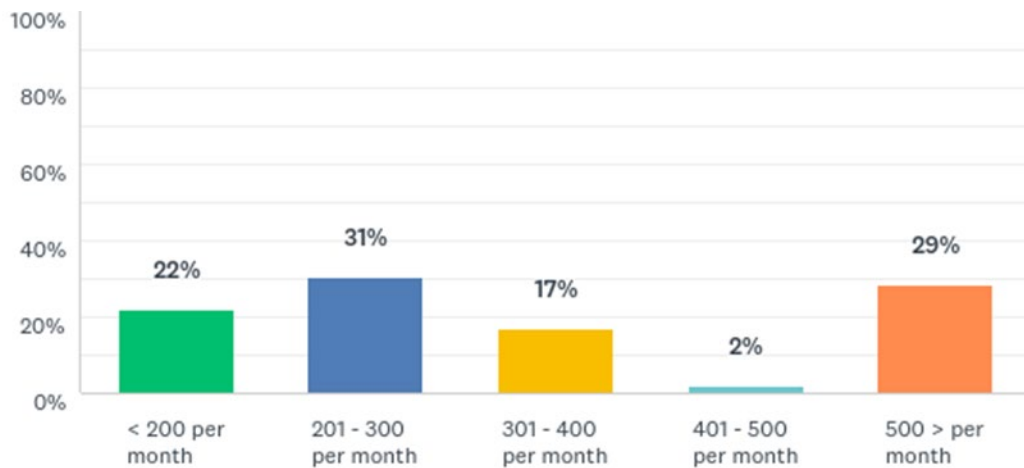
Section 1 – Fleet Demographics

1. How many ATMs does your organization operate?



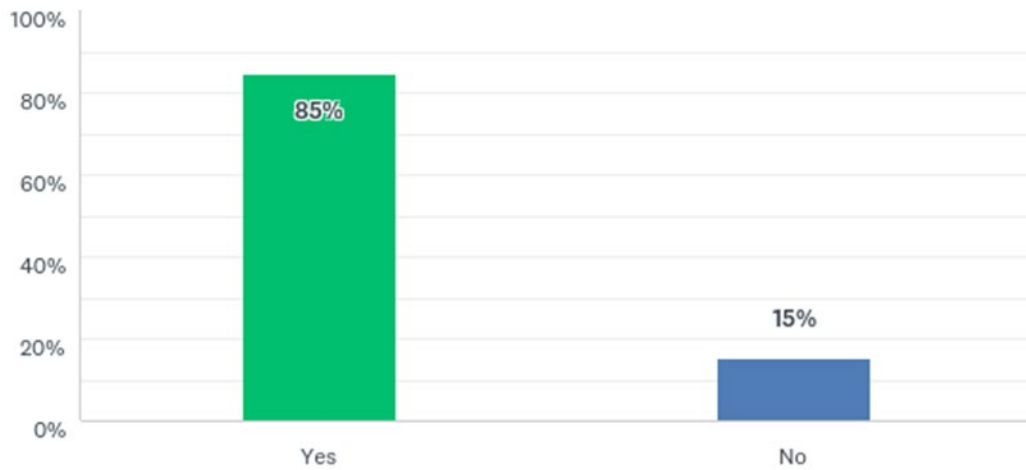
Overall, 42% of operators have fewer than 100 ATMs in their fleet – which is nearly identical to the breakdown seen from the 2018 EMV Migration Survey of all ATM operators. The vast majority of operators (73%) have fewer than 500. Again very similar to the 2018 EMV survey.

2. What is the approximate average transaction volume for your ATMs?



The most common monthly transaction range is 201 – 300 per terminal. A total of 53% have 300 transactions or less. We also see a fairly significant group (29%) with an average transaction range of over 500 per month.

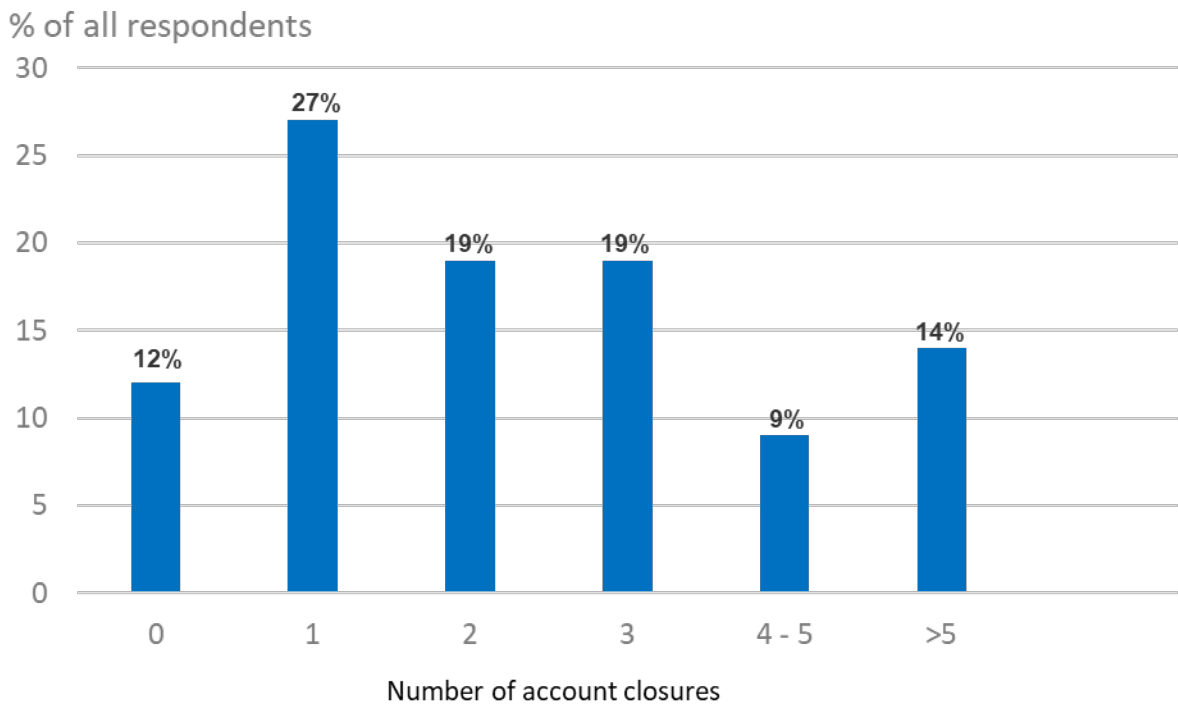
3. Are any of your ATMs today, or have you had any ATMs in the past, loaded with cash from a settlement account held by a bank or credit union?



The vast majority of respondents (85%) indicate that, at some point in time, they have loaded ATMs with cash from a settlement account held by a bank or credit union. If the respondent answered 'No' to this question, the survey skipped the next series of questions, which all deal with settlement account closure experiences.

Section 2 – Cash Services and Experiences

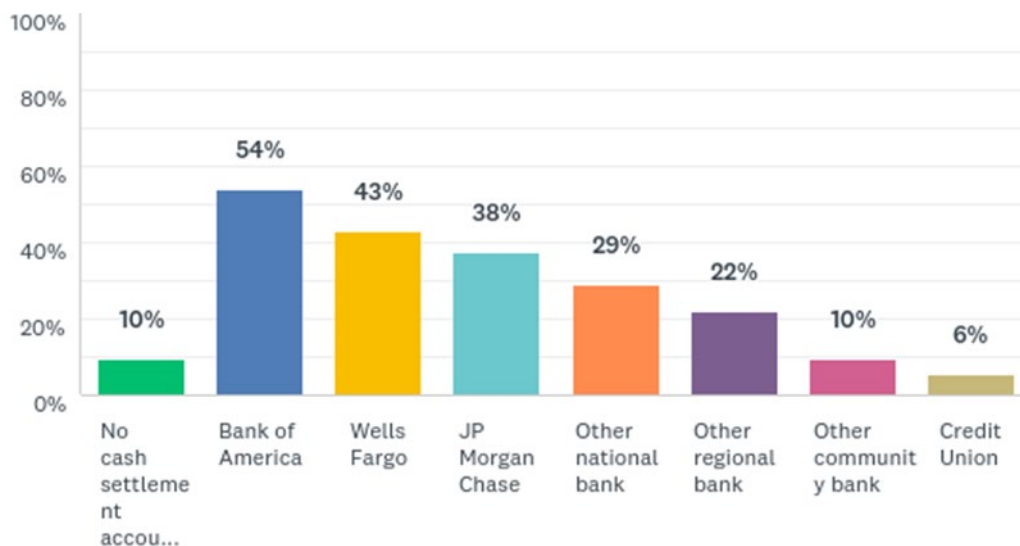
4. How many times have you had an ATM-related account closed by a financial institution?



Only 12% of respondents have not experienced an account closure. However, it is impossible to know whether some respondents ignored participation in a “bank account closure survey”, because they have not experienced a closure themselves. The largest single segment of operators experienced only one closure. Nearly one-quarter of respondents had four or more closures – which is significant. At the other end of the range, a total of 39% experienced one closure or none at all.

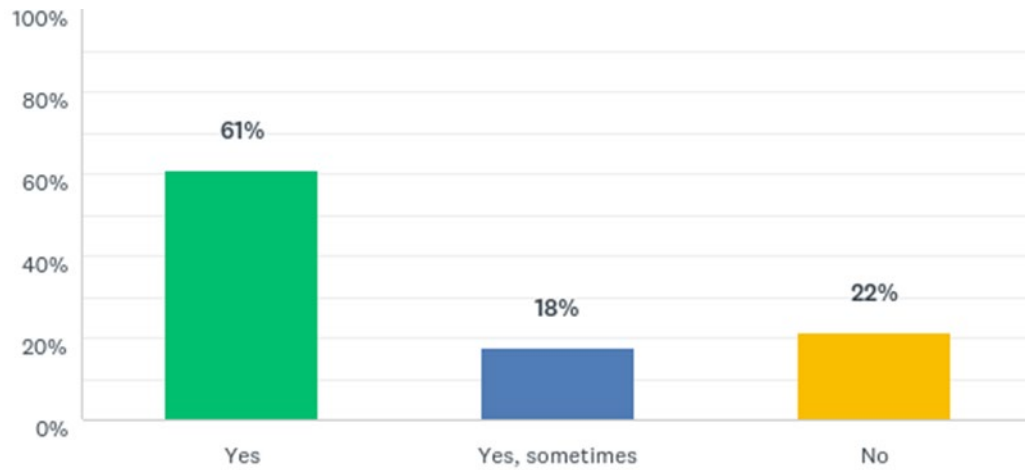
Looking at the data internals, it was noted that operators with 30% or more merchant-loaded terminals were more likely to have an account closure. 78% of those operators experienced more than one account closure, compared to 53% for those with mostly self-loaded (from a cash settlement account) ATMs. Operators employing a vault cash or third party provider for at least 50% of their cash were less likely to have more than more account closure and far less likely to have more than 5.

5. If you have had one or more ATM cash settlement accounts involuntarily closed within the past five years, please indicate which bank(s) closed that account (select all that apply).



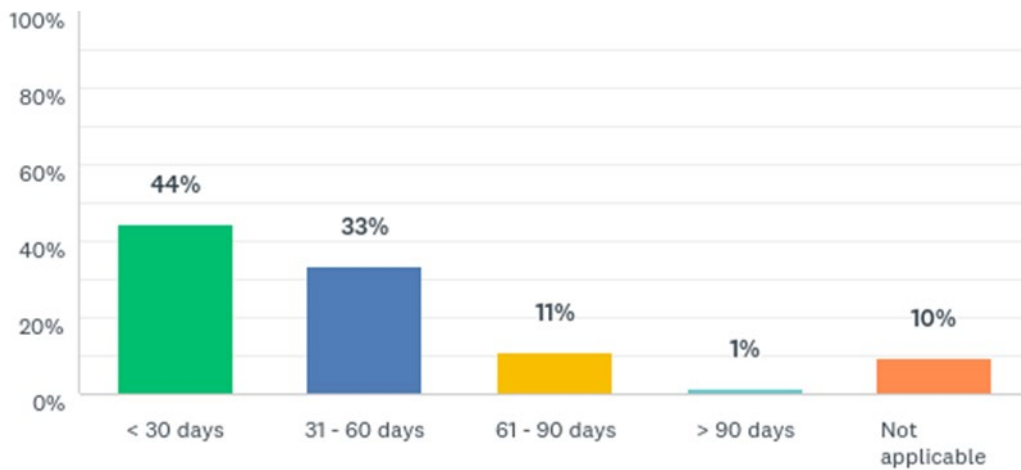
Since this was a “check all that apply” question, the results add up to well over 100%. Bank of America, for example, closed accounts of 54% of the respondents. Declining percentages are evident as the financial institutions get smaller and smaller. What the data does not tell us, however, is what percentage of the accounts for each FI ends up being closed. All we can conclude is that the three large banks listed probably account for a majority of closures.

6. Do you have other business accounts at the financial institution that holds your cash settlement accounts?



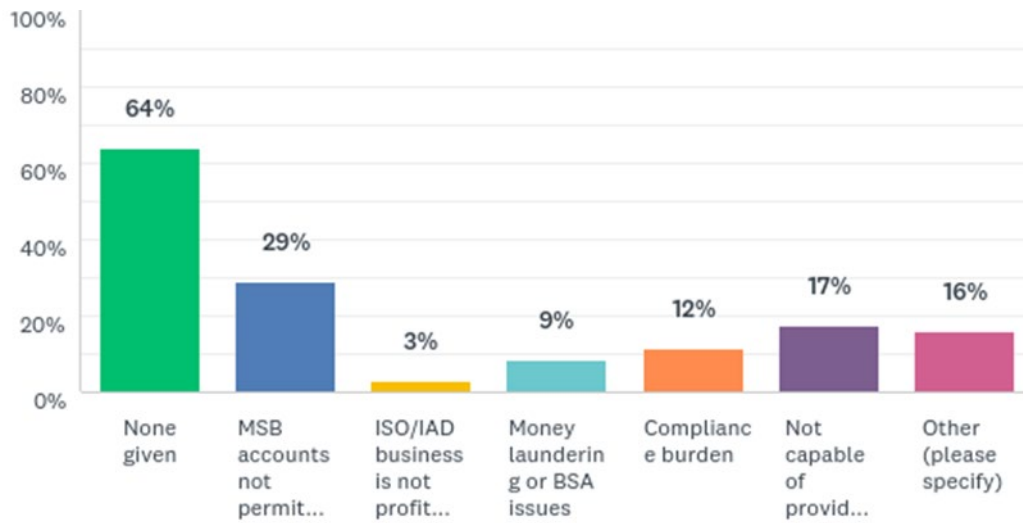
Numerous reports have been received from IADs that it is not just the cash settlement accounts that are being closed – other types of accounts held by operators are also being closed. 78% of respondents indicate that they typically or sometimes do have additional accounts with their settlement bank.

7. How much notice were you given before the account was closed?



Nearly half of respondents have 30 days or less to close out their account and replace it with another. Only a very small percentage are allowed more than 60 days.

8. Reason given for the closure(s) (select all that apply).

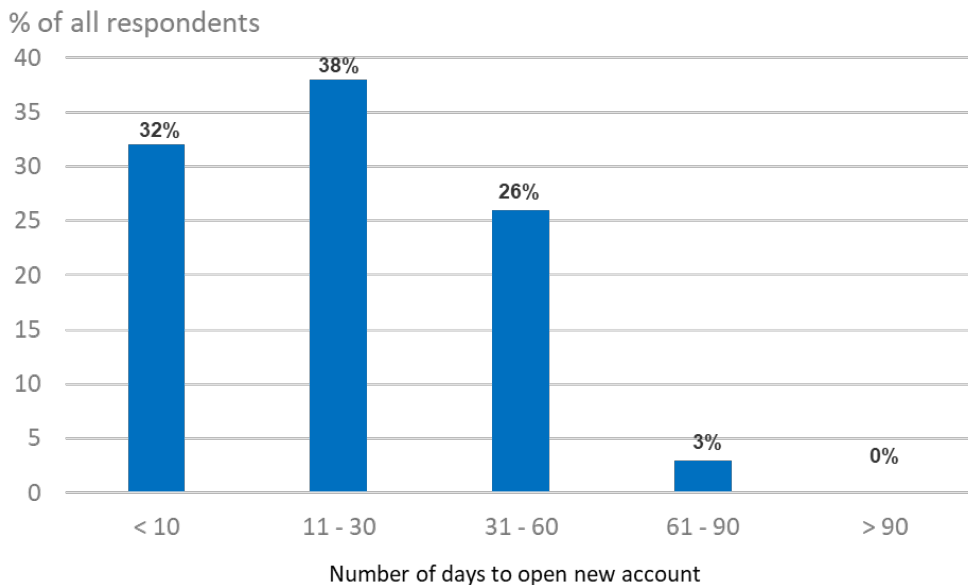


Most respondents (64%) were not given a reason for their account closure. Account holder agreements typically include language stating that an account can be closed at any time for any reason – and that the FI is not required to provide a reason.

It is curious to note that 29% of the respondents had accounts closed because they were deemed to be an MSB (Money Services Business). Owning or operating an ATM does not constitute running an MSB and is clearly outside of the FDIC/FinCEN definition of an MSB. ATMIA encourages all IADs to review that definition with current and prospective bankers.

The next most common reason given is that the IADs branch is no longer capable of providing large sums of cash, followed by compliance and BSA burdens.

9. How long did it take (days) to open a new cash settlement account?



This was an open-ended question in that no categories or ranges of time were specified. Responses were then divided up into logical segments. A combined total of 70% of respondents were able to open a new cash settlement account in 30 days or less. Only 3% took more than 60 days, which includes none over 90 days.

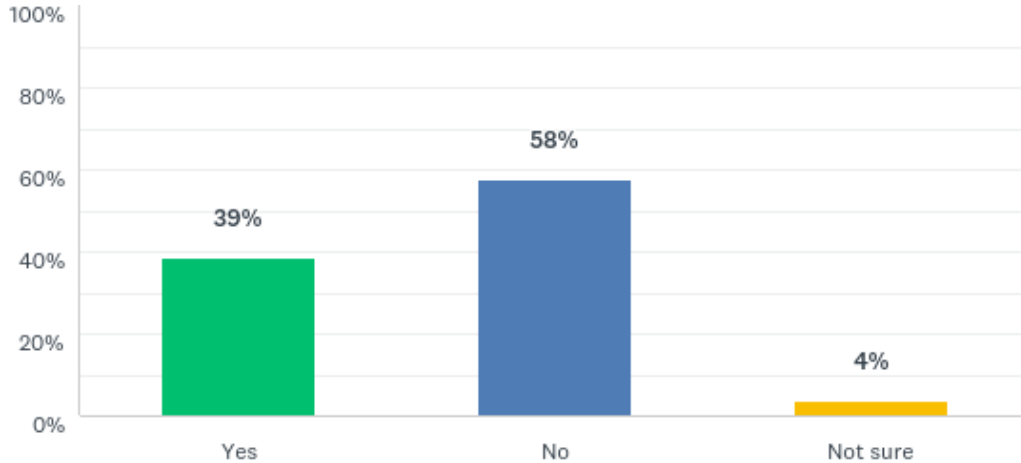
10. You indicated above that some of your cash is being provided from a financial institution withdrawal. Please enter the bank name, city, and state, if you are able to share that information.

Chase & Capital One		NY
Chase, TD, Capital One	Rego Park	NY
Citi Bank	Merced	CA
Fifth Third		
First Bank	Woodland Hills	CA
First Merit Bank	Ypsilanti	Michigan
JP Morgan Chase	Fort Worth	TX
Key Bank	Hamburg	NY
M & T Bank		New York
Regions Bank		
US Bank		
Washington Trust Bank	Spokane	WA
Well Fargo	Drexel Hill	PA
Wells Fargo	Ft Lauderdale	FL
Wells Fargo	Long Beach	CA
WSFS - Cash Connect		
WSFS (Wilmington Savings Fund Society, FSB)	Wilmington	DE
Zions Bank	Salt Lake City	Utah
Zions Bank	Kaysville	Utah

The table above shows all responses provided to this question. It is assumed that these accounts were open and in good standing at the time of the survey. Respondents were not asked how long the accounts have been active.

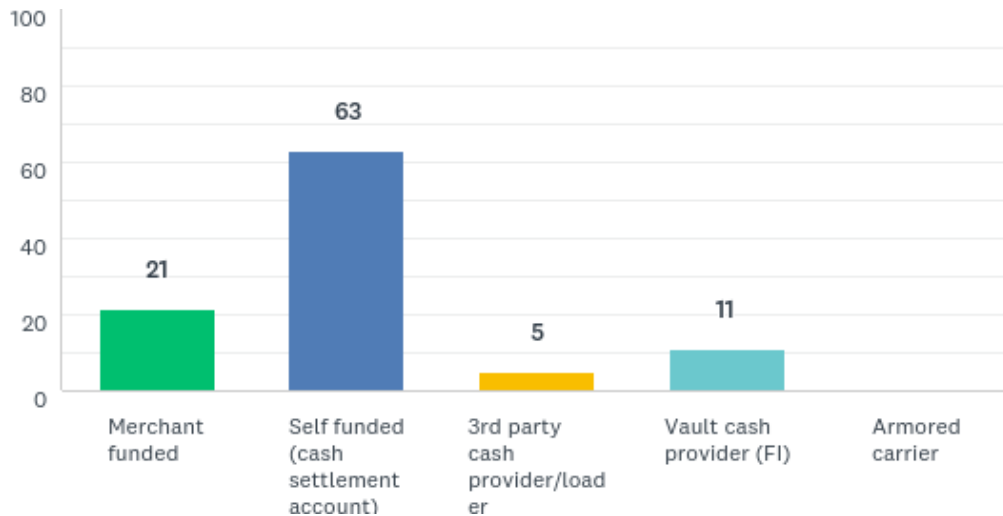
Section 3 – Cash logistics

11. Has any financial institution closed other types of accounts that you maintain for this business (payments, loans, payroll, etc) for unspecified reasons?



ATMIA continues to hear from IADs that accounts other than cash settlement are also being closed for unspecified reasons. Payroll, payments, credit, and other types of account have been closed for 39% of respondents. In some cases, these are even operators that do not have a cash settlement account, because they use vault cash or third-party services exclusively.

12. Please indicate approximately what percentage of your fleet cash is provided through each of the sources below (total must equal 100%).



The percentages above represent averages of all respondents. Ranges of each category varied from zero to 100%. Operators using some sort of cash service represent only 16% of the total.

Conclusions

Even one account closure for questionable reasons is too many – but it is also unrealistic to expect that we will ever reach a point where there are virtually no cash settlement account closures. Based on anecdotal information going into the survey project, it was anticipated that an ATM operator with no account closures would be a rarity. And that most operators would indicate experiences with a great many account closures.

Actual results, however, show that 12% have never had an account closure and the largest single segment (27%) have had only 1 closure. At the other end of the spectrum, only 14% have experienced more than 5 account closures. Fleet size does not appear to play any role in those numbers. Although 42% of respondents operate 100 or fewer ATMs, they are about as likely to have a history of 3 or more closures as an operator with over 1,000 terminals.

Relatively speaking, the three largest banks, account for about twice as many closures as all other financial institutions combined. These larger banks are undoubtedly attractive to IADs for their expansive branch footprint and extensive menu of services. But they are also subject to far more scrutiny than smaller banks – making them more sensitive to security and risk issues of all types. That being the case, ATMIA has recommended that its members seek out banking relationships with regional and community banks, and credit unions that accept business members.

Another means of reducing the probability of a business account closure is to utilize the services of a vault cash or third-party provider. Only 16% of respondents are doing so today. Outsourcing cash services will likely increase costs, but could save a banking relationship. Operators may wish to consider outsourcing their highest cash volume locations, while continuing to self-fund lower volume ATMs.

Independent operators seem to be handling their account closures reasonably well. About 77% were given 60 days or less to terminate their bank relationship. And a total of 96% were able to find a new bank relationship in less than 60 days. Although that search can be intensely frustrating, nearly all are successful in the end.

Perhaps one of the most interesting results of the survey is the revelation that 29% of respondents indicated that one or more of their accounts was closed because the entity was deemed to be a Money Services Business (MSB). A banker making such decisions should be well aware of the fact that ATM operations do not fall within the FinCEN/FDIC definition of an MSB. Unfortunately, account terminations are almost never reversed – even when an error has been made.

Results above show that 39% of respondents had other business accounts (payments, payroll, credit, etc) closed in addition to their cash settlement account. In fact, recent reports from ATMIA members also indicate that even ATM businesses without a cash settlement account are experiencing account closures. This would seem to indicate that a certain level of paranoia surrounding ATM-related businesses still exists, and may be difficult to erase.

Respondents were also asked to share the name and location of financial institutions that had opened new cash settlement accounts for them. Sixteen FIs are listed above for Question 10.

The IAD Bank Account Closure Survey was conducted by [ATMIA](#) (the ATM Industry Association). Direct any press inquires or questions about the survey to ATMIA USA Executive Director [David Tente](#). Contact the [membership team](#) for information about the benefits of ATMIA membership.