



ATM Industry Association Sponsored Survey
Conducted by the ATMIA U.S. EMV Migration Committee

2014 ATM Channel EMV Readiness

Survey closing date: December 1, 2014

Survey Background and Objectives

With less than two years remaining before the first domestic ATM liability shift date arrives, and almost two years since ATMIA's previous EMV Readiness Survey, this would seem to be an appropriate time to measure the progress of ATM operators toward EMV migration in the U.S. There is a considerable amount of speculation in play regarding what progress has been made – particularly by small and mid-range independent operators.

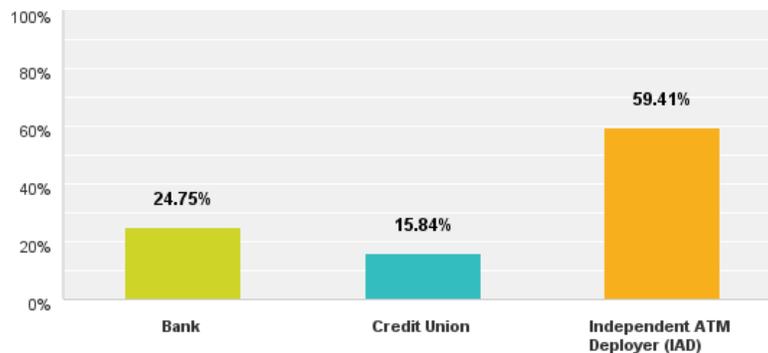
The April, 2013 survey did focus primarily on independent ATM deployers (IADs). It revealed that few had access to the solutions necessary to deploy EMV-capable ATMs, and even fewer were able to meet the liability shift deadline for MasterCard Maestro transactions. In fact, an 88% majority of respondents indicated that they would be unable to deploy even one ATM capable of accepting EMV transactions by the April 19, 2013 shift date. Further, only 9% had access to all of the solutions they needed for EMV migration.

For this survey, our objective was to include as broad a range of respondents as possible – both financial institutions and IADs, both ATMIA members and non-members, and from very small to very large. Survey questions attempted to measure what planning has taken place, what resources are being used, how complete the migration is today, and expectations for the next years.

Only ATM operators were permitted to participate in the survey. A total of 118 responses were received. Most respondents answered all questions. About 15% skipped 4 or 5 questions. Only one question was different, depending on whether the respondent was an IAD or financial institution (FI).

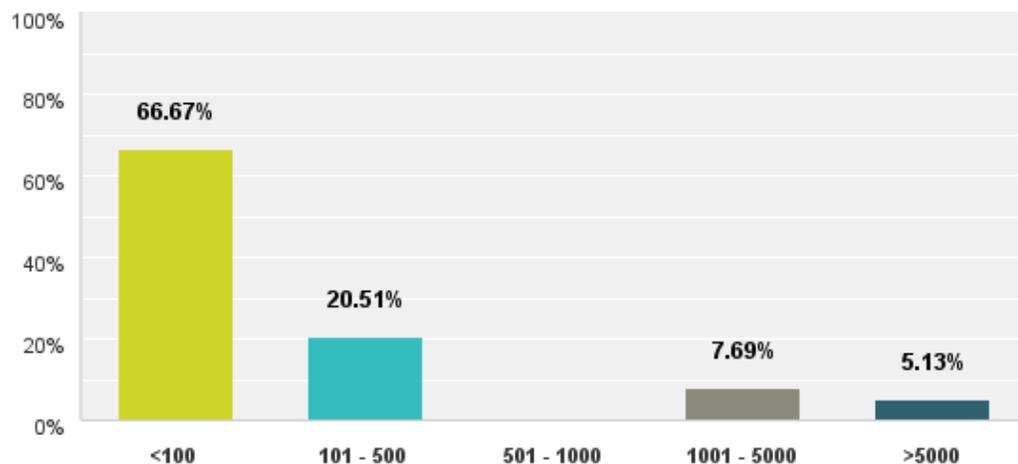
Survey Questions and Analysis

1. Is your organization a financial institution or independent ATM deployer?



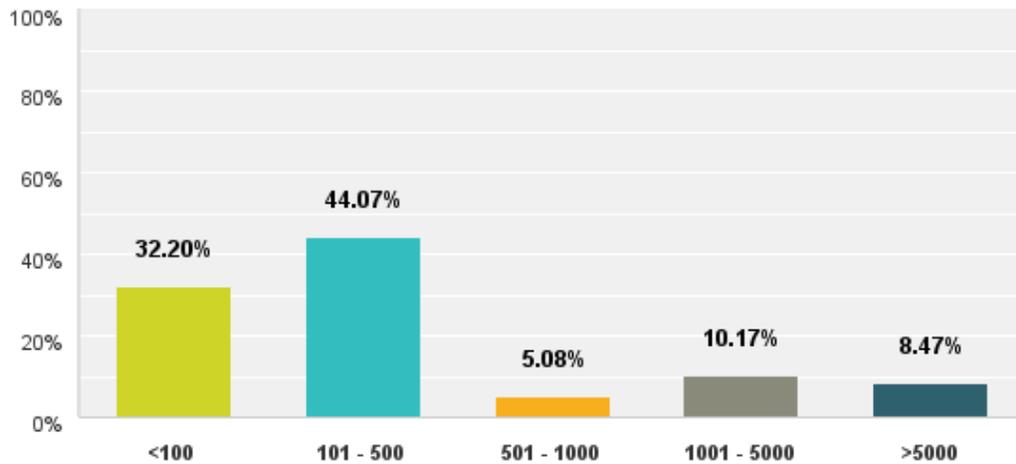
Respondents represented a good mix of the market. About 59% were IADs and 41% FIs, which is indeed very representative of the actual breakdown of deployers in the U.S. And about 61% of financial institutions responding were banks.

2. How many ATMs does your financial institution operate?



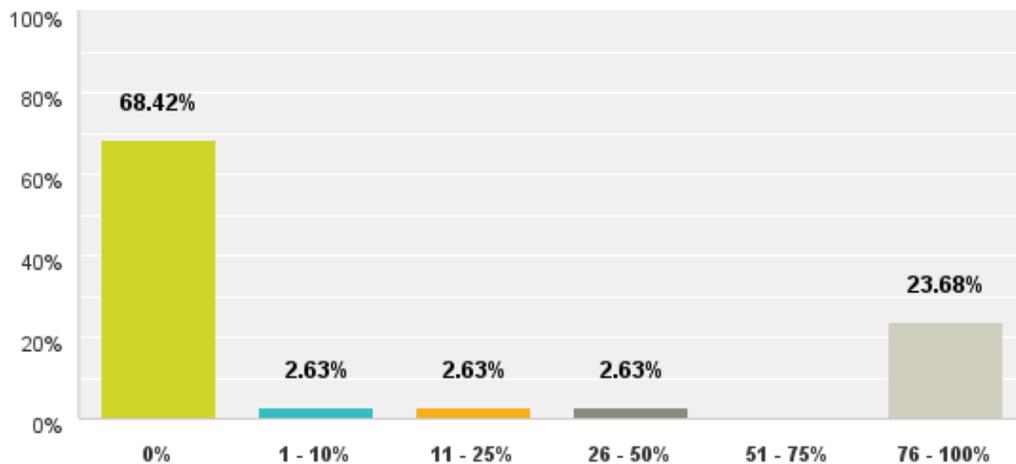
ATM fleet size questions were separated for IADs and FIs, in order to make it easier to analyze the data for the two different groups. The vast majority, 67%, have fleets of less than 100 ATMs; 87% have less than 500. It was curious and interesting to note that 2 did not respond to this question.

4. How many ATMs does your organization operate?



This question is being listed out of order, in order to more easily compare the results for independents and financial institutions. For IADs, the fleet size “sweet spot” seems to be 101 – 500 terminals. 44% of IAD respondents fit into that category. Not surprisingly, the less-than 100 category is the second largest. Both of these questions show that representative responses were received from the largest deployers.

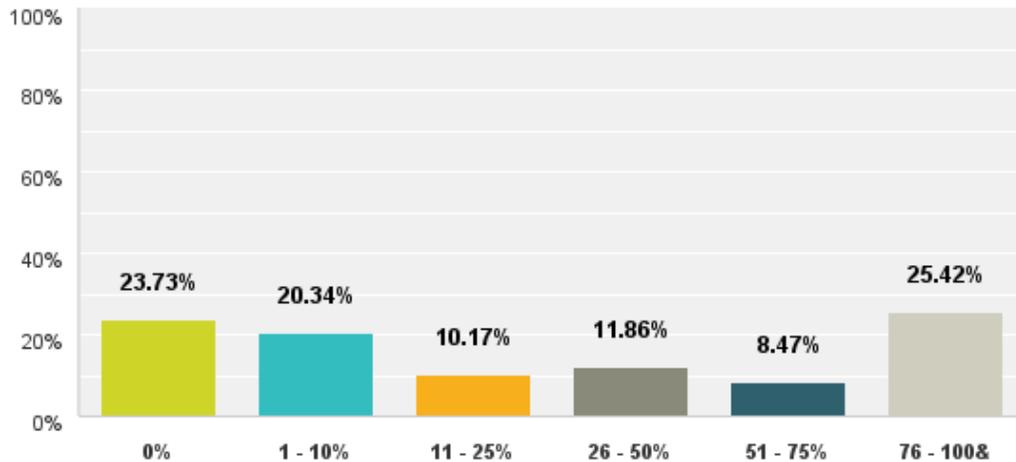
3. For the purpose of this survey, we are attempting to get a sense of what percentage of financial institution fleets will be upgraded by a party other than the financial institution itself, due to the structure of one or more business arrangements. For what % of your ATMs (“branded”, outsourced, etc) will EMV migration be the responsibility of someone other than your institution?



For 68% of financial institutions, EMV migration rests on their shoulders for 100% of their fleet. It is interesting to note that for 24% of financial institutions, 76 – 100% of their fleet operations are outsourced and they are not responsible for upgrading those terminals. It would appear from the distribution above, that outsourcing is often an all or none proposition.

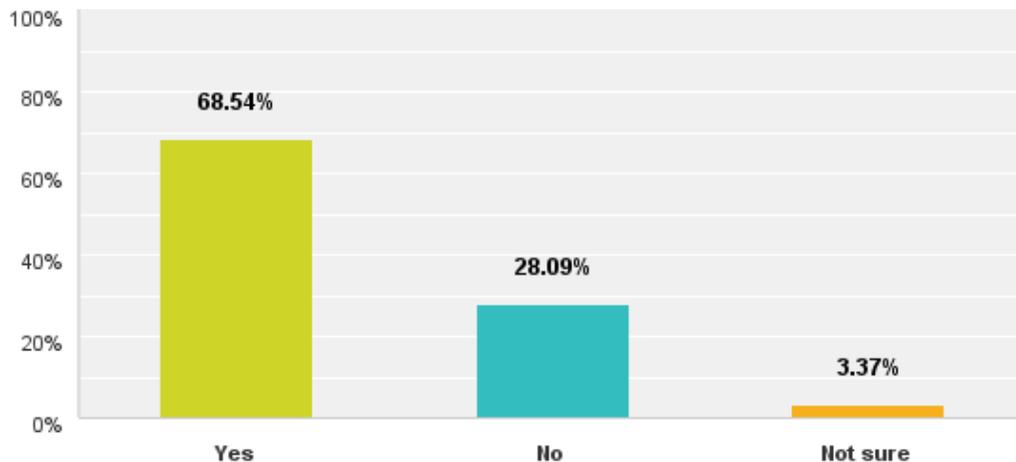
5. For the purpose of this survey, we are attempting to get a sense of what percentage of independent operator fleets are owned by the merchant or a third party; where that merchant or third party is responsible for the EMV upgrade of the ATM, instead of the IAD. For the question below, please consider the term “merchant” as a generic one, referring to any non-financial institution, non-IAD party.

What percent of your ATMs are "merchant" owned?



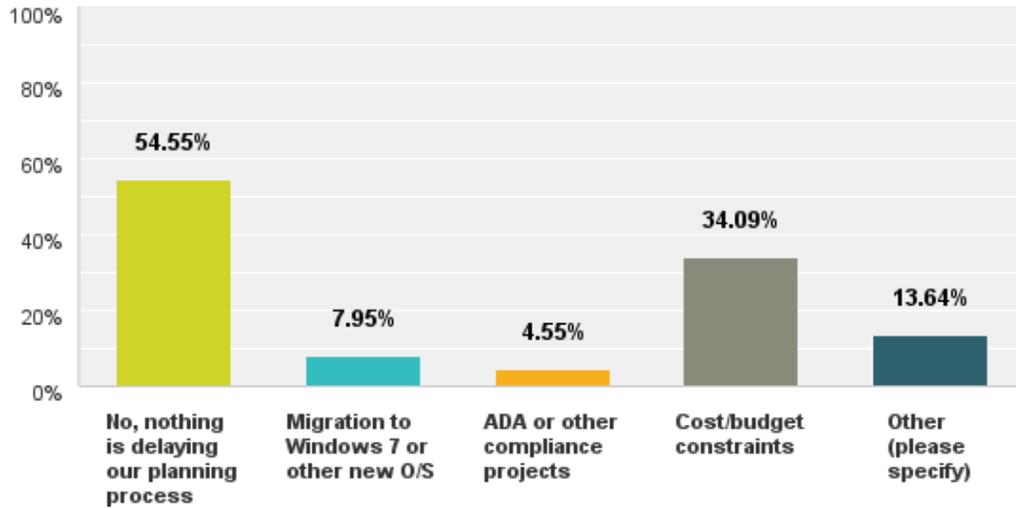
Unlike financial institutions, which basically fell into two of the six categories, IAD responses were fairly well distributed across all six categories – which is indicative of the variation in business models in place in today’s market. Only 25% of IADs are in a situation where the vast majority of their terminals are merchant or third-party owned – which could complicate and delay the process of EMV migration. On the other end of the chart, only 24% of independents own all of their terminals and have no such complications with third party upgrades.

6. Have you performed hardware and/or software audits of your ATM fleet to determine what components might be needed prior to EMV migration?



Overall, 69% of ATM deployers have performed hardware and/or software audits of their fleets to determine what their needs are – 82% of FIs and 54% of IADs. Financial institution respondents that have not done so, all have fewer than 100 ATMs. With only a few exceptions, virtually all IADs answering ‘no’ have fleets of less than 500, and about half are under 100.

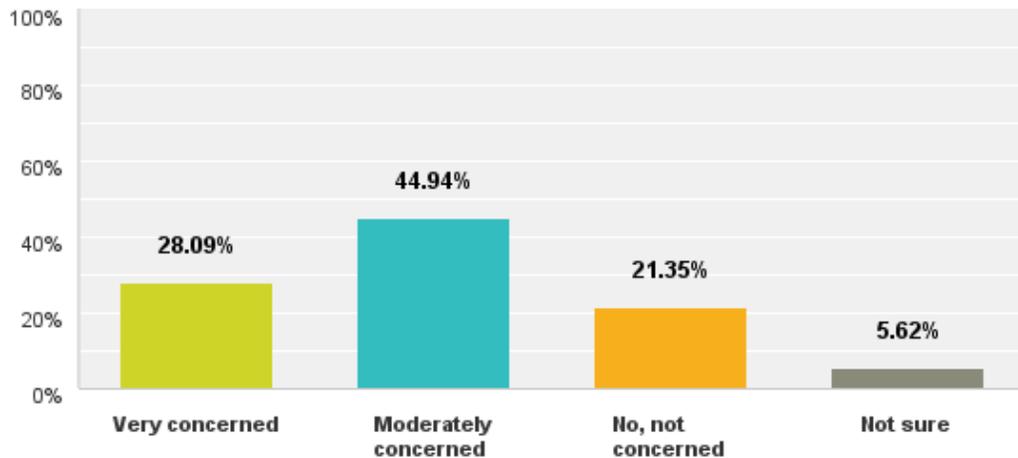
7. Is there anything that is not related to EMV migration, delaying your planning for EMV migration? (check all that apply)



It stands to reason that difficulties with acquiring software applications from processors or upgrade hardware from manufacturers would delay progress with EMV migration. This question seeks to determine whether widespread delays are being experienced due to outside or non-EMV related factors. Only a few respondents experiencing delays cited more than one reason.

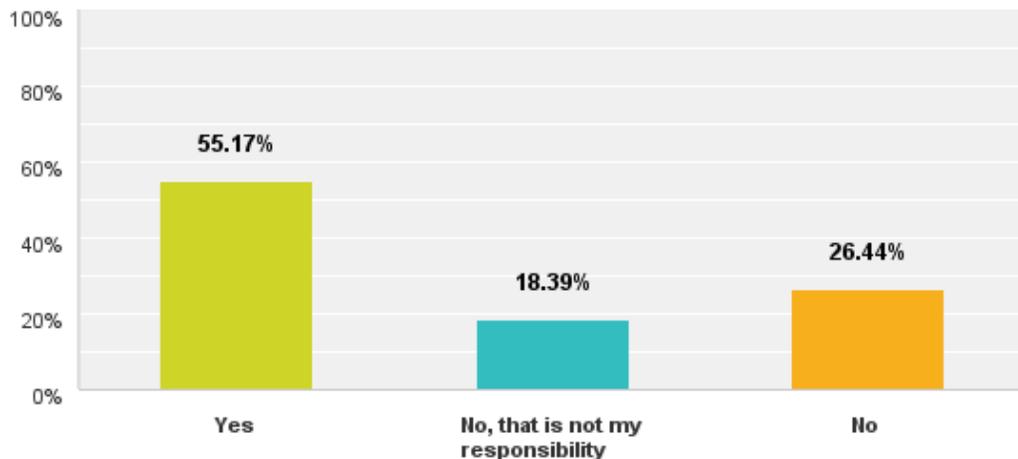
Overall, 55% said that no delays were being experienced – 65% of FIs and 48% of IADs. The most frequently cited delay was ‘cost/budget’ at 34%. In the ‘Other’ category, no one answer had a majority, but testing and certification had most responses. An honest response from one independent was “Just waiting until the last minute”.

8. Are you concerned about the impact of the Oct, 2016 and/or Oct, 2017 liability shifts for ATM operators and its potential impact on your organization?



Significant majorities of all ATM deployers have serious concerns about the impact of the liability shift – although perhaps for different reasons. Overall, only 21% are not concerned, the vast majority of which are financial institutions. For FIs, 59% are moderately or very concerned, with only a small percentage very concerned. On the other hand, 83% of independents are moderately or very concerned – and the majority of those are very concerned.

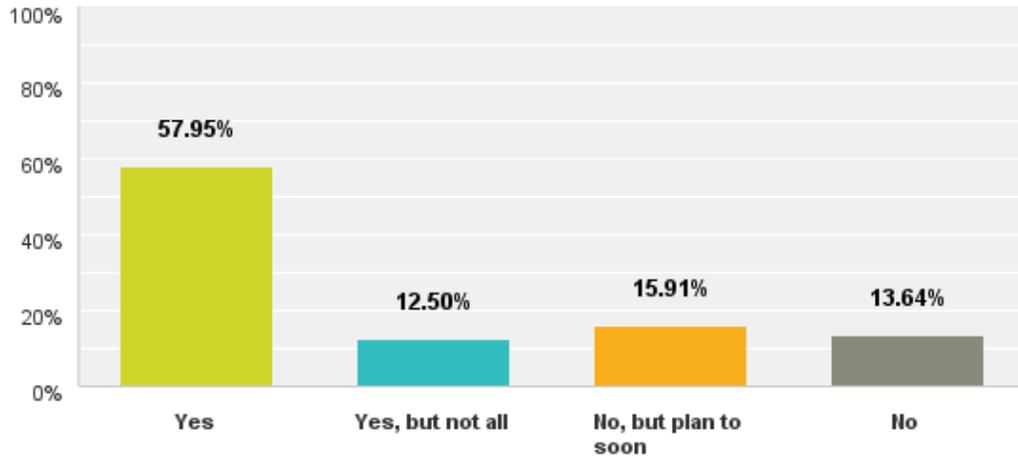
9. Are you planning a customer education program, signage, or other messaging to help ATM users understand how their experience at the ATM will change with EMV?



One of the most critical aspects for a smooth migration to EMV technology is education of the consumer. The consumer experience at an EMV-capable ATM is going to be radically different for most and there may be some quirky situations that crop up during the transition period.

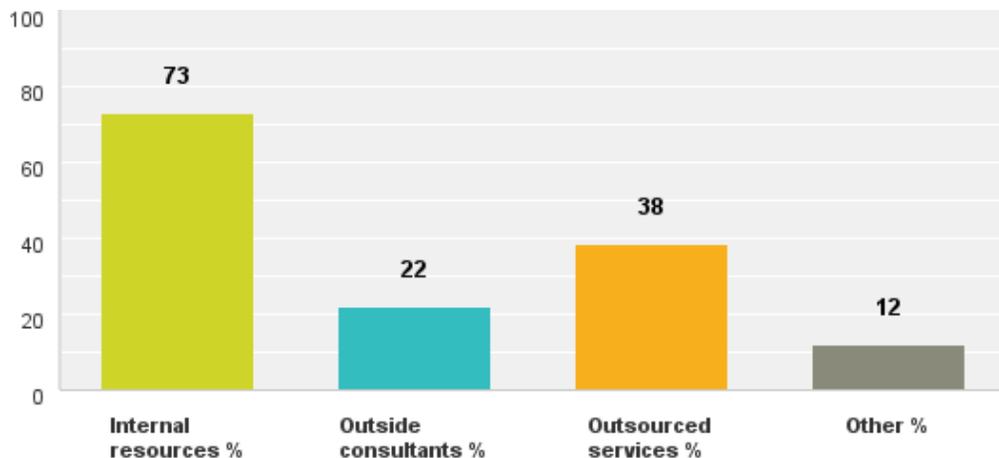
With that in mind, it was a bit of a surprise to find that only about 60% of financial institutions are planning a customer education program, signage, or other messaging to help their customers understand the changes coming to their ATM experience. 22% of FIs even responded, 'No, it's not my responsibility'. By comparison, IADs (who generally are not issuers) are still planning customer education programs at a similar rate – about 50%.

10. Have you contacted your vendors for assistance with your EMV migration planning?



Overall, 70% of all respondents have started or completed discussions with vendors over EMV migration planning. Looking at the data in more detail, only 8% of FIs have not yet done so. However, 44%, or nearly half, of independents have not had those conversations yet.

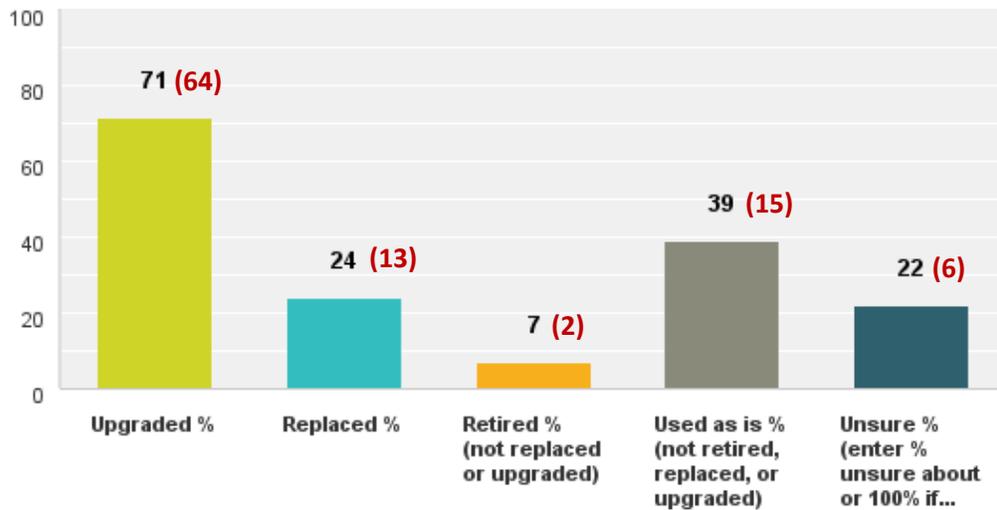
11. EMV migration is a major project that will potentially strain the resources of all ATM operators. It is likely that many will require outside help to plan and implement at least some aspect of these projects. Please provide your best estimate as to how much of the work to plan, manage, and implement EMV for your fleet will be performed by:



The numbers above do not add up to 100%, because respondents were able to indicate the breakdown for all categories, but most will not use all of those options. For example, slightly more than half of the respondents indicate that they will use outsourced services. And on average, those who use outsourced services, will use them for 38% of the EMV project requirements. Including those in the average that will not use outsourced services, indicates that outsourcing will be used for 21% of all EMV migration projects.

Looking at the data by type of deployer yields some interesting results. On average, IADs say that 85% of their EMV migration project resources will be internal, compared to only 57% for financial institutions. FIs will outsource an average of 43% of these projects – with quite a few saying it will be 75 – 100% of their need.

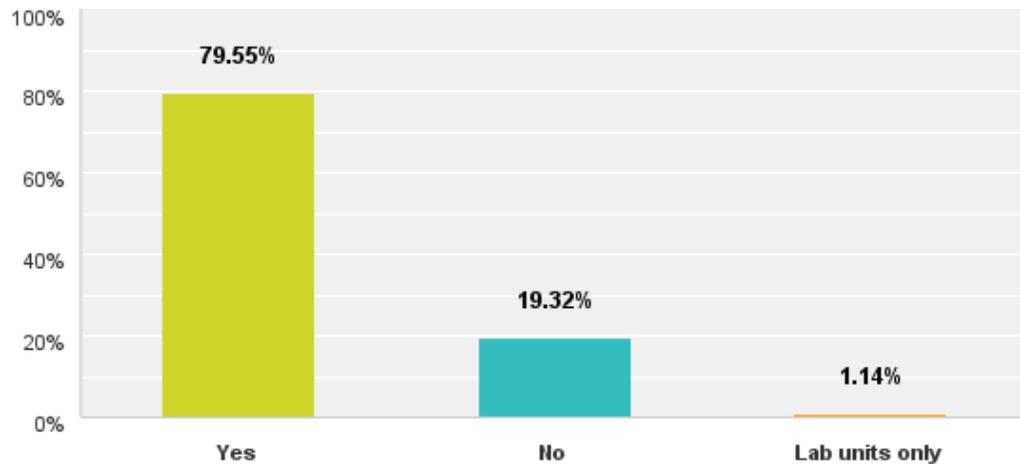
12. Based on what you currently know about the capabilities of your fleet, please indicate the percentages of your fleet that you expect to be:



Data for this question was adjusted due to idiosyncrasies in the way the survey tool calculates data for this type of question and to a misunderstanding of its intent by some respondents. The “Used as is %” was intended to measure what percentage of ATMs might not be migrated to EMV capabilities at any point. Some respondents included terminals in that category, which had apparently been ungraded or replaced prior to the survey date. The numbers in parenthesis and red are the revised percentages after discarding bad data.

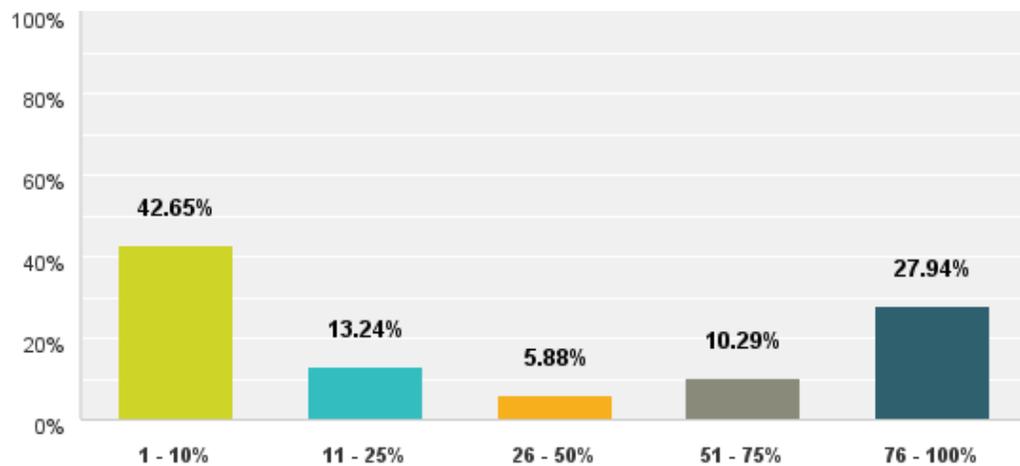
It was estimated fairly early on in this process that only about 10 – 15% of ATMs would require replacement – mostly due to their inability to be upgraded – and these results confirm the accuracy of that estimate. Only a very small number of terminals will be retired. Even with the data adjustments, the number that will be used “as-is” is higher than anticipated.

13. Have you purchased any EMV parts/components and/or new EMV capable ATMs?



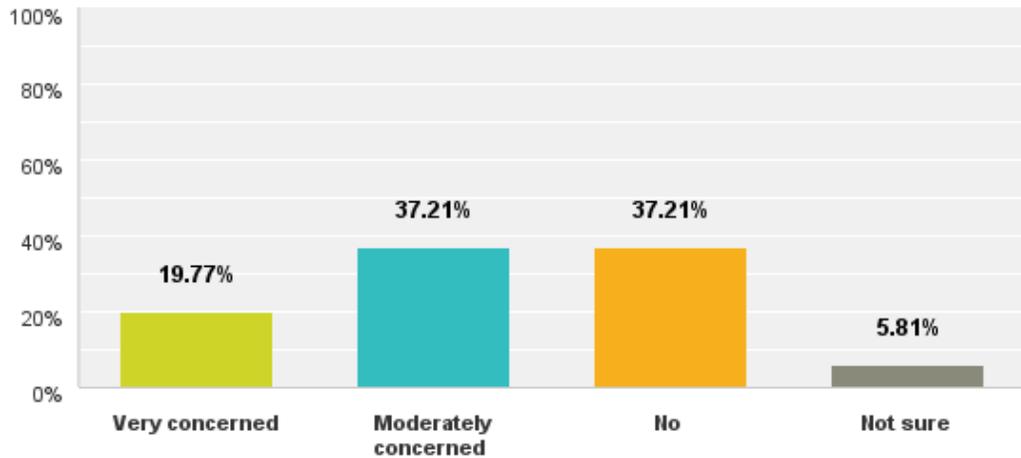
About 80% of ATM deployers have purchased at least some upgrade components or replacement ATMs. The numbers are virtually identical for both financial institutions and independents. With only one exception, respondents were about evenly divided between fleets of less-than 100 and of 101 – 500 terminals.

14. For what % of your fleet have you already purchased EMV parts/components and/or replacement ATMs?



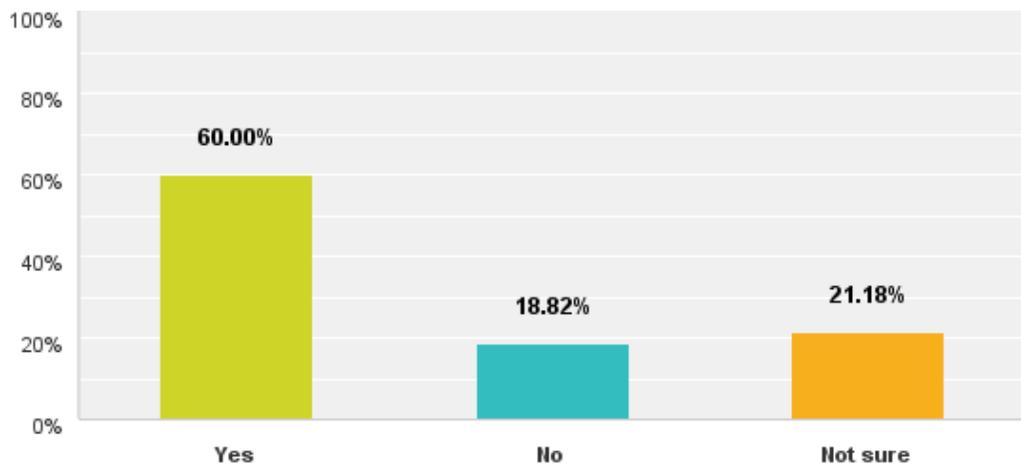
Of those who have purchased components or new ATMs, 43% have done so for only 1 – 10% of their fleets. The response receiving the next highest total was 76 – 100% at 28% -- 95% of which came from FIs; mostly banks, but with a wide range of fleet sizes.

15. Are you concerned about delivery delays or potential shortages of EMV-related hardware, software, or technical resources (including field technicians) as the liability shift dates draw nearer?



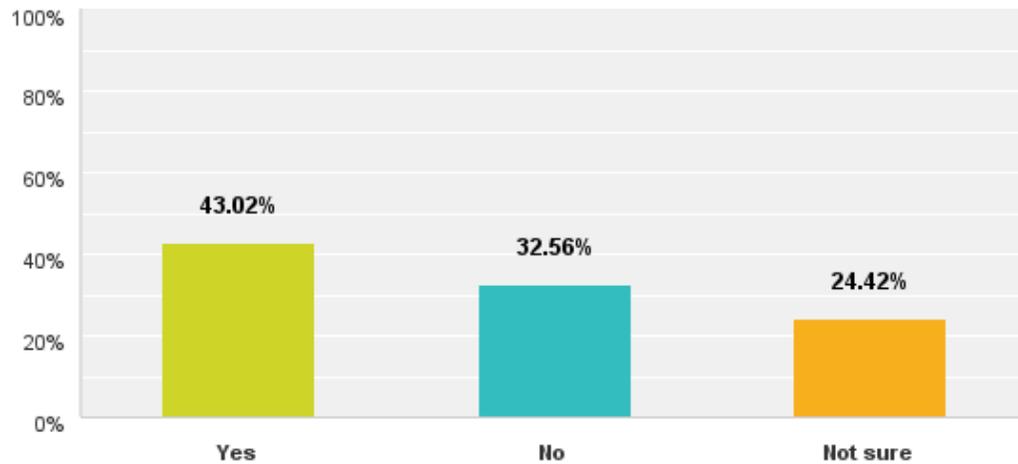
Overall, a small majority of respondents are moderately or very concerned about the potential for shortages of EMV-related hardware, software, or technical resources. Breaking it down further, though, only 32% of FIs are concerned, compared to 76% of IADs.

16. Will any of your organization's staff take part in any type of EMV-specific training, prior to or as part of this initial implementation phase?



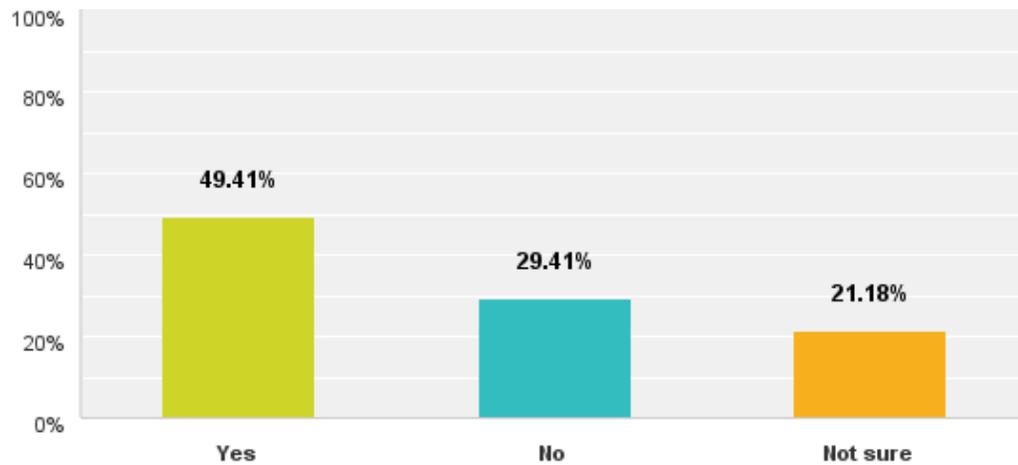
About the same percentage of FIs and IADs plan to have staff participate in EMV-specific training as part of the migration process – 58% for FIs and 61% for IADs. Over 21% remain unsure.

17. Will your organization be required to perform any of its own ATM transaction certification and testing prior to accepting live EMV transactions?



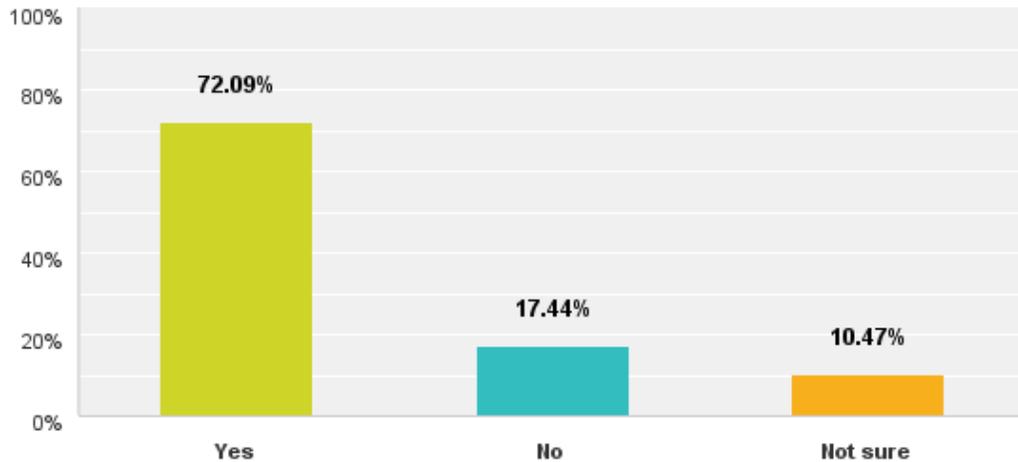
The results of this question are very illustrative of the uncertainty that still persists regarding some aspects of EMV migration. Over 24% of respondents are not sure whether they will be required to perform any of their own certification and testing. At 19% for FIs, the number is somewhat lower, but still fairly significant for this point in the process. Overall, 43% say yes. Breaking the responses down by type of operator, 59% of financial institutions know that they will need to perform their own testing, compared to only 31% of independents.

18. Do you have the necessary software from your processor(s) and other transaction partners to handle EMV transactions at the ATM?



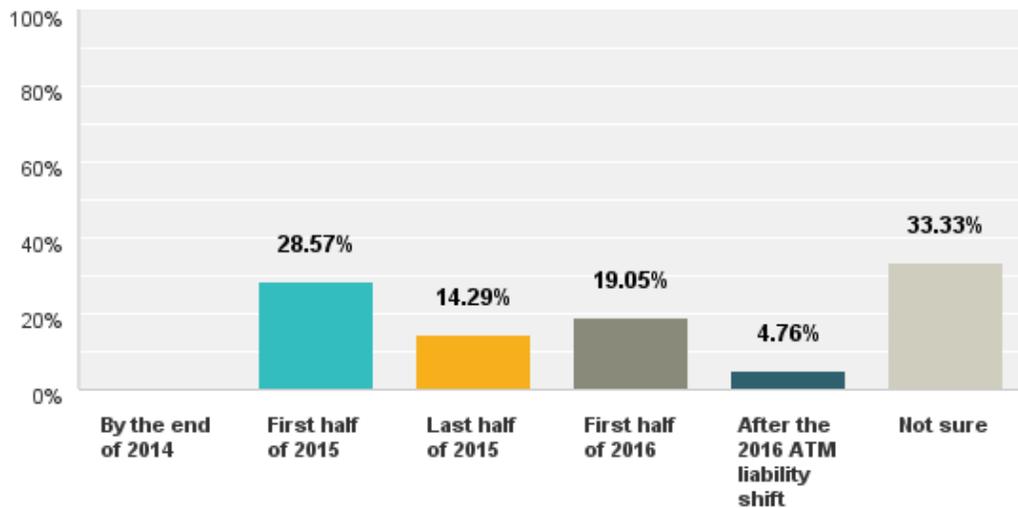
Only 49% of respondents are confident they have the software they need from their processors. FIs don't seem to be faring much better than IADs, with 51% vs 48%. However, size does seem to matter – sometimes. 80% of FIs with more than 1,000 ATMs have what they need. Large IADs, on the other hand, seem to be having the same challenges as the smaller ones.

19. Do you have the necessary hardware to deploy your first EMV-capable ATM in a lab or other test environment?



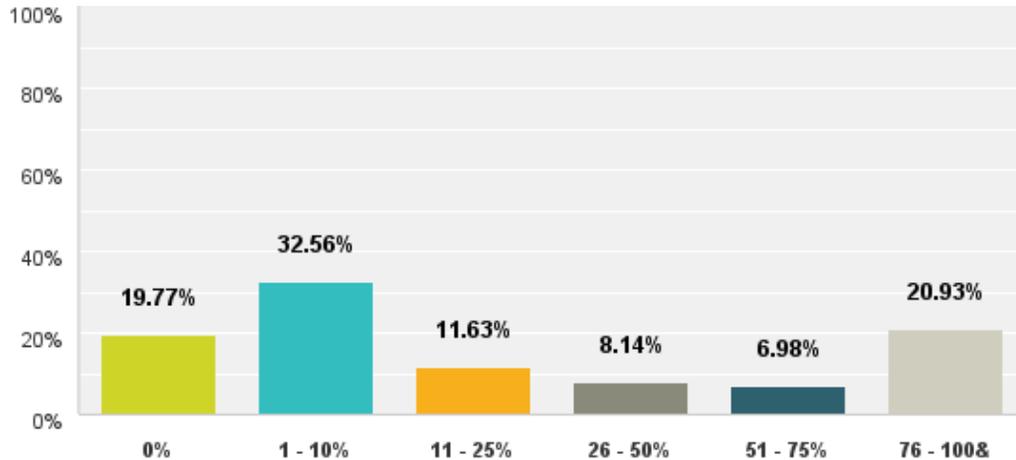
However, 72% of all respondents say they have the necessary hardware to deploy their first EMV-capable ATM – 81% of FIs and 65% of IADs. Since 80% of both groups also indicated that they have purchased some upgrade hardware or ATMs, it appears that independents may be lagging slightly behind financial institutions in getting those first units deployed.

20. If you answered 'No' or 'Not sure' to the last question, how soon do you expect to deploy your first EMV-capable ATM in a lab or other test/limited use environment?



Of those who do not have the hardware they need to deploy their first EMV ATM, 33% are not sure when they will be able to deploy their first ATM in a lab or test environment. But 43% of those do expect to have their first unit deployed by the end of this year.

21. What % of your ATM fleet is currently EMV capable?



This question asks about EMV capability, not the acceptance of transactions. Overall, 33% of respondents say that 1 – 10% of their fleet is capable of handling an EMV transaction. The next largest group is 76 – 100%. Nearly 90% of those are FIs – and the vast majority are fleets of less than 100.

22. Considering what your organization has done to date, the availability of resources you expect, and your plans for becoming EMV compliant, please indicate for each of the next three years, what percentage of your ATM fleet you expect to be fully EMV compliant (actively accepting EMV chip transactions) by the end of:

Year	0%	1-10%	11-25%	26-50%	51-75%	76-100%
2014	35.3%	28.2%	14.1%	2.4%	5.9%	14.1%
2015	11.8%	15.3%	10.6%	23.5%	7.1%	31.8%
2016	2.4%	4.7%	4.7%	14.1%	12.9%	61.2%
2017	0.0%	4.7%	1.2%	10.6%	3.5%	80.0%
after 2017	0.0%	2.4%	1.2%	4.7%	2.4%	89.4%

This question is different than the previous one, in that it asks about the percentage of the fleet that will be accepting EMV transactions. It is significant to note that all operators expect to have at least some of their fleet processing EMV by the end of 2017, following the second domestic liability shift.

The fact that, even looking beyond 2017, only 89% of operators project having at least 76% of their fleet accepting EMV transactions is not completely unexpected. As

indicated in question #12, some ATMs will not be upgraded or immediately replaced. And part of that gap is likely due to some level of continued uncertainty.

Conclusions

Based on the data and analyses presented above, two primary conclusions are drawn. With the exception of a few responses, financial institutions and independents have very similar concerns and are at very similar points in their EMV migration process – particularly comparing the numerous operators with less than 500 terminals, as well as the few in both groups with more than 5,000.

Concerns that all but the largest IADs would lag behind their peers in the banking industry appear to be unfounded. In fact, 80% of both groups have begun purchasing the upgrade components and/or new equipment necessary for their EMV migration. Looking at the results above, responses to questions regarding customer education (#9), purchasing of upgrade components (#13), staff EMV training (#16), and concerns over processor software applications (#18), IAD and FI data is very similar. Responses to some other questions are also in the same range.

Secondly, a significant amount of progress has been made over the past 18 months. From having only 12% of operators with any EMV capable ATMs deployed as of the April, 2013 liability shift, 65% of respondents report having at least one EMV ATM deployed and handling EMV transactions at the end of 2014 – that's a 442% increase. Further, 61% of all operators anticipate that by the end of 2016, which is the general timeframe of the first domestic liability shift for ATM acquirers, the vast majority of their ATMs will be capable of handling EMV transactions.

However, there does seem to be a core group of 20% or so of operators that has not performed hardware/software audits of their fleets, has not consulted with their vendors about EMV migration, has not purchased any upgrade components, and has no EMV-capable ATMs. The current challenge for the industry is to help this group understand the need to begin the process now, and to find ways to help them with these first important steps.

