



ESTA

ATM Life Cycle Costs and Currency

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Cash Logistics through the ATM

- The business process of fulfilling the Consumers and the Banks needs for cash
- The logistics of movement of Currency physically from the Central bank, through bank vaults to the branch and self service devices (ATM) and back Electronically and physically
- Balancing the complete currency cycle
 - The balancing of the consumer withdrawal back to the consumer account
- Cash management is the process of managing the currency through the process
- Reducing Risk and losses



Environmental Changes

- **Mandatory Compliances**

- Changing Banking laws
- Emerging Rules from Central banks, Electronic networks, EOC
- Increasing cost of “FIT” currency
- Major Network rules

- **Emergence of Retail and ISOs in currency distribution**

- “Cash back”, Owning ATMs

- **Expanding capacity of Third Party vaults**

- Emerging Cash Centers

- **Fraud Security (Robbery, Identity theft)**

- Data Security (encryption, Virus)
- Digital Security (image, video)

- Consumer Security



The Crisis

- New Laws and regulations
- Ever present Fraud Risk
- Internal Development Environment
 - Intellectual Property on Legacy Applications and Technology with rapid changes in Technology
 - Cost developing a Commodity system
- Investment cost in the Host, Network, Applications and ATM before changes in cost structure can be realized
- New Functionality (Bulk cash acceptors)
- New Technology (DES, EMV, etc)
- Globalization of Transactions, and Networks

Self Service Cash "Touch Point"

1) Electronic Transactions

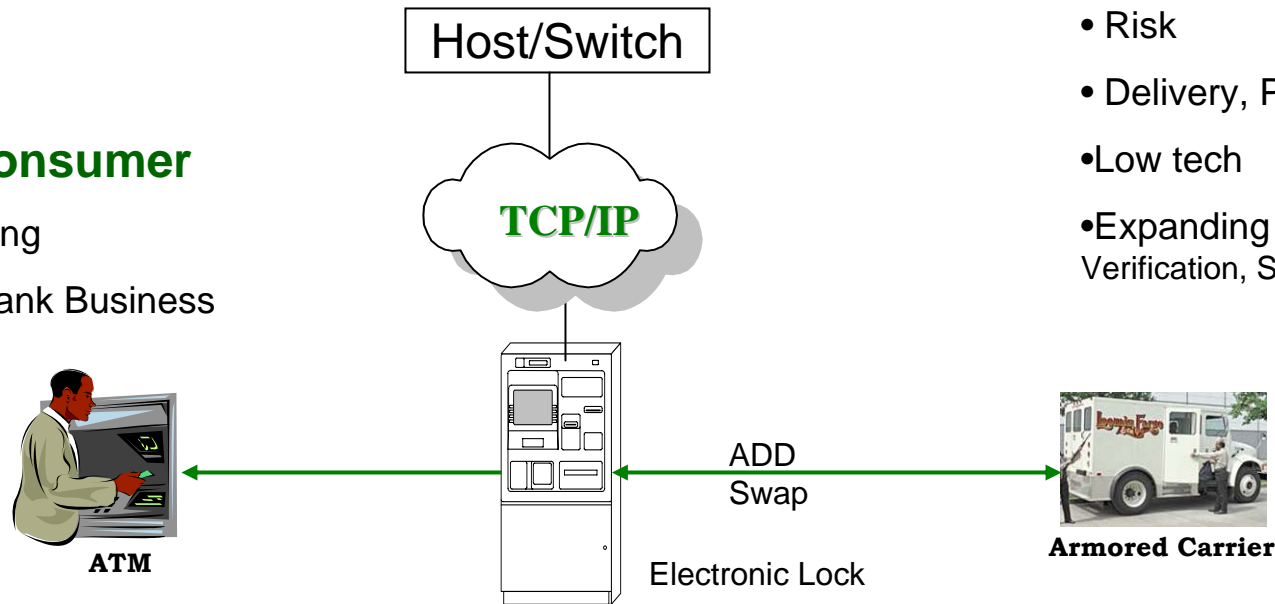
- Back Room
- IT Controlled / Operations
- Help Desk Functions

2) Physical Currency

- Risk
- Delivery, Pickup, Inflexibility
- Low tech
- Expanding Services (Recycling, Verification, Sorting, Coin, etc)

3) Consumer

- Marketing
- Core Bank Business

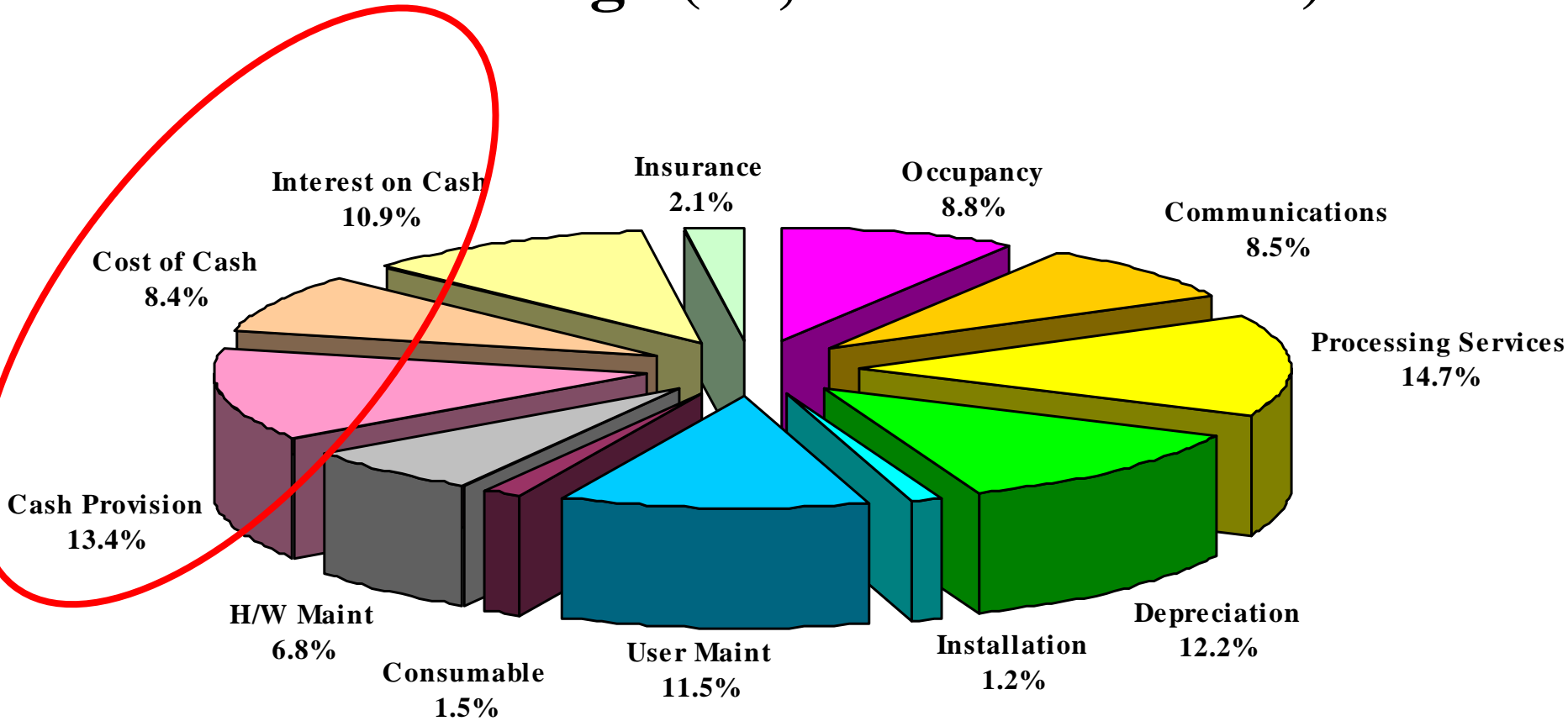


**Consumer Touch point, physical currency,
electronic transaction**



Annual ATM Services Expenditure (%)

Global Average (20,547 euros/annual)



**33% of ATM costs
Are Cash Related**



Concepts in Discussion

- Ingrate management of cash across the enterprise (Vaults, Branch, ATMs)
- Optimize both cash inventory levels and the cash out Frequency on a “continual improvement” basis
- Outsource from an Integrated Business Process (BPO) perspective
- Use of a Commercial Cash Management tool
- Branch personnel on premise ATM support, SPOC on remote locations
- Adjust cash loads to compensate for locations of CIT inflexibility
- Recycle as close to the consumer as possible
- Cash re-cycling (Self Service and Retailers)



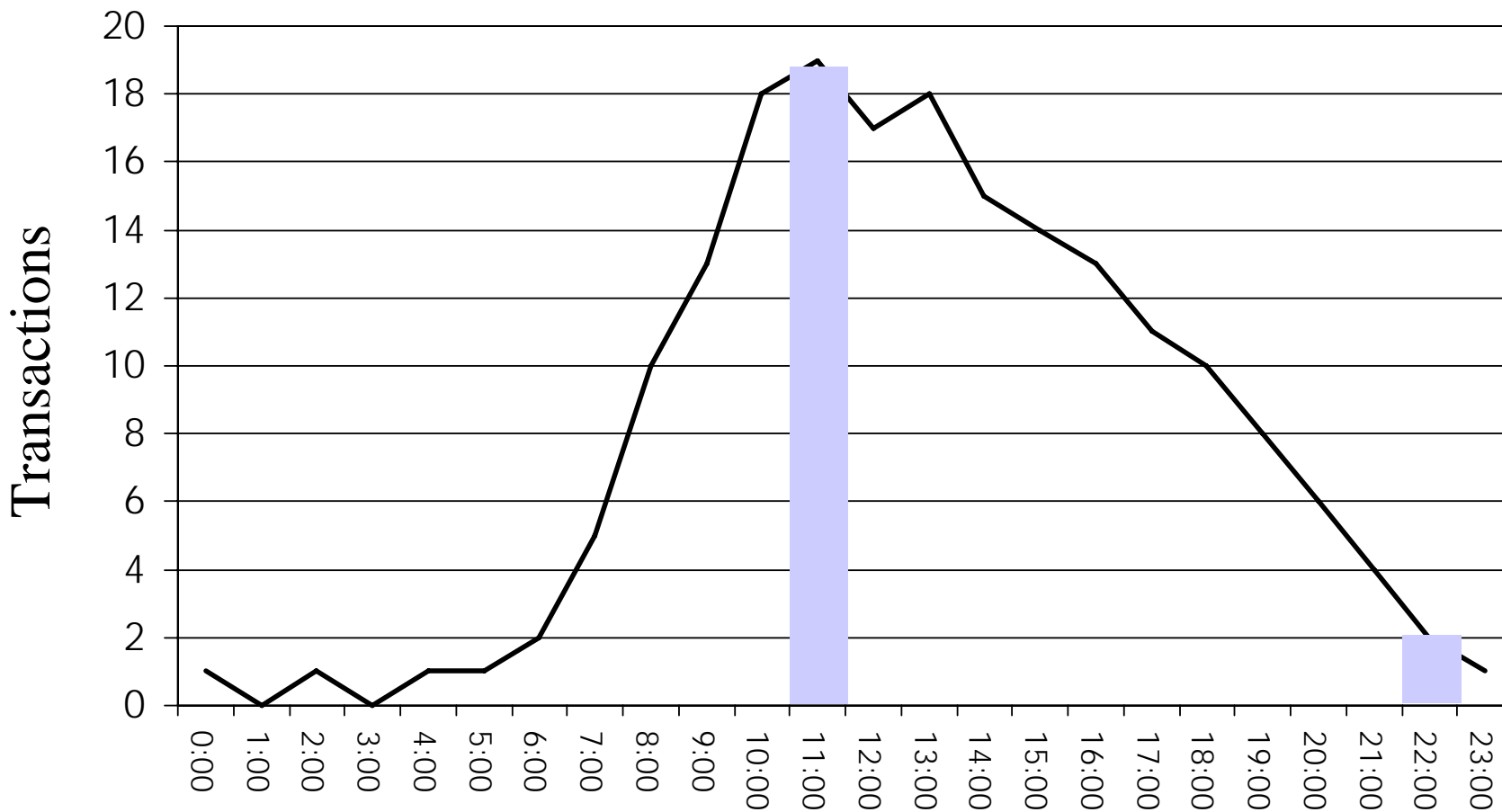
ATM Success Measures

- 24 Hour Availability
 - Measurement of ATM up time
 - Simple
 - Easy to calculate
 - Benchmarked

- What makes an ATM successful
 - Number of transactions completed
 - Minimised customers disappointed



Transactions by Hour





ATM Success

- **ATM down 22:00 to 23:00**
 - Availability 23/24 = 95.8%
 - 2 disappointed customers / lost transactions

- **ATM down 11:00 to 12:00**
 - Availability 23/24 = 95.8%
 - 19 disappointed customers / lost transactions

One hour can be worth 10 times more than another



Driving service provider behaviour

- **A set resource for maintenance will be patterned to ensure that ATMs failing at 10pm are responded to quickly**
- **Should any aesthetic work take place in office hours**
- **Are replenishment days planned to ensure maximum benefit**



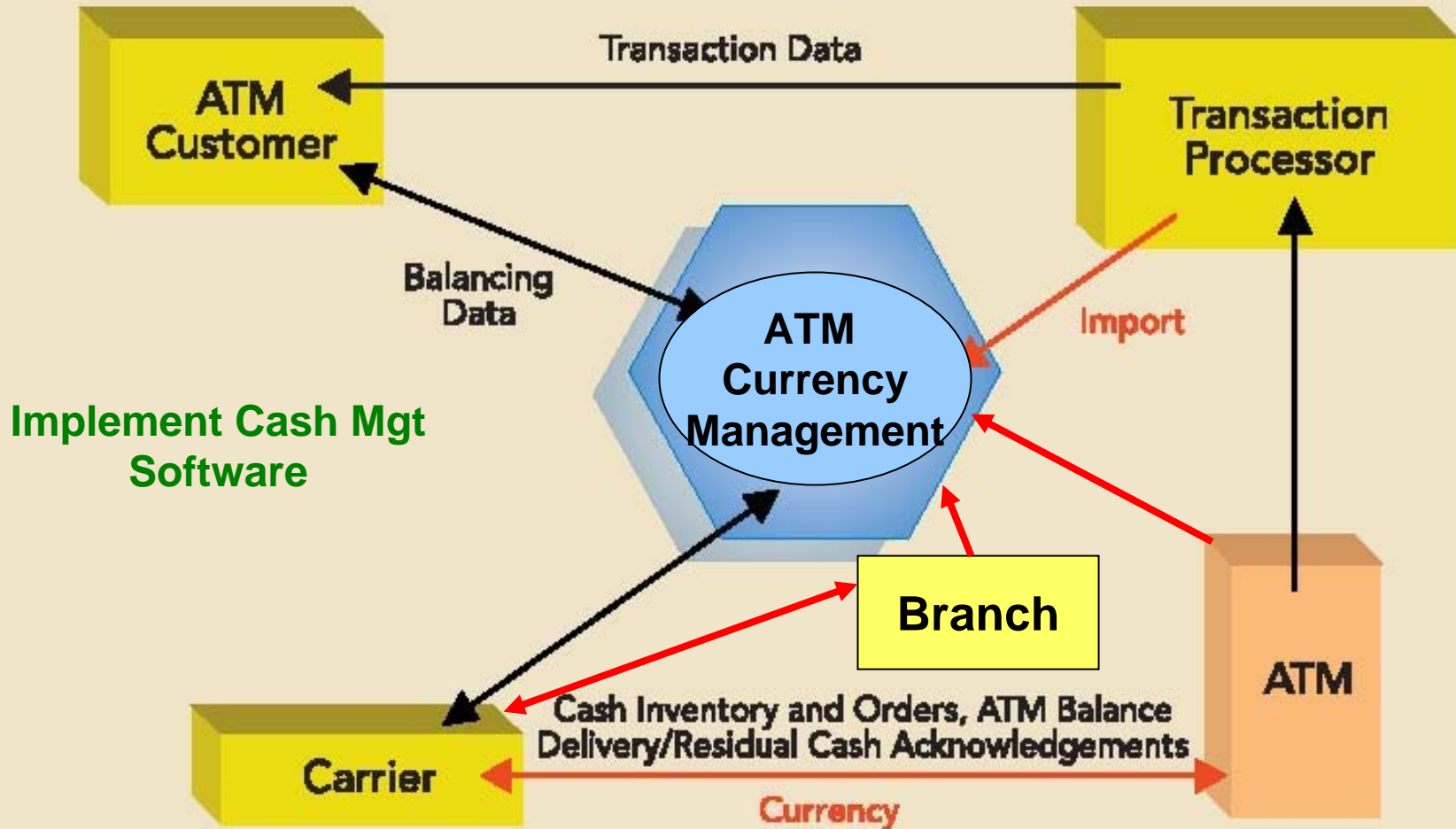
Remote Service Strategy

- Networked services / Machine-to-machine (M2M)
- Lower cost of service delivery
 - Software fixes/updates
 - Routine calls
 - Level 1 troubleshooting
 - Level 2/level 3 analysis and resolutions
- Bundled with maintenance and integrated services
 - Maintenance service differentiation / Premium pricing
- Value-added services



The Data Elements – Devil in the Details

Maximize your cash efficiency while reducing labor-intensive cash management

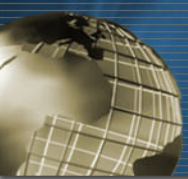




Balancing Act for Cash Logistics

- Cash outs
- Re-bank levels (Utilization) Unused currency recounted
- ATM Availability
- Cash in System

These are the corner stones of the Currency business process SLA's



Cash in Transit - CIT

- Currency Sector Specialist in a High Risk business
- High investment in Vehicles, labor, Vaults, Cash counting, and Insurance
- High capital intensive, and paper based, low tech
 - Commodity price
- Evolving Services
 - 1st Line, deposit pickup, Inventory Mgt, EDC file pickup, Security tape, Consumables
 - Recycling, Cash Centers, Currency validation (Fraud), Sorting
- New Trends
 - Soft Skin, Ink dye and bar code cassettes
- Practices
 - E locks, two personnel visits, control of keys, “joint liability”, scheduled routes



Best practices in Review

- Ingrate management of cash across the enterprise (Vaults, Branch, ATMs)
- Outsource from an Integrated Business Process (BPO) perspective
- Evolve Availability to Weighted Availability
- Recycle as close to the consumer as possible
- Use of a Commercial Cash Management tool
- Optimize both cash inventory levels and the cash out Frequency on a “continual improvement” basis
- Leverage Branch personnel on premise ATM support, SPOC on remote locations
- Adjust cash loads to compensate for locations of CIT inflexibility



Summary



European Central Bank (ECB)

Sets Euro rules in euro zone

- Euro interchangeable across National Banks
- 5% Netherlands, 20% France, 30% Germany
- Netherlands + in 20's, France – in 20's, Austria – in 50's.
- Currency can be moved between National banks and “cleared” immediately (major amounts done infrequently 1/yr)
- 36 security elements on the euro notes and only 2 on coins



Background Information - Eurozone

- €17bn Euros in circulation
- 7 Denominations x 12 NCB's = variation problem
- New EU countries will take this to €25bn
- Notes in circulation breakdown :-
 - €5 1%
 - €10 8%
 - €20 15%
 - €50 50%
 - €100 20%
 - €500 1%



What is the Cash Cycle?

- European Cycle

- All notes cycle back through NCB's

- UK Cycle

- 95% of notes recycled through distributed cash centres
- Only poor quality/reject notes returned to BoE for destruction and replacement