Recent ATM regulatory changes and pending rules are converging with technological advancements to make the issues surrounding the profitability of ATM programs even more important to understand.

The Americans with Disabilities Act (ADA), the Check Truncation Act (CTA), obsolescence of OS/2, remote unique key distribution (RUK) and Triple Data Encryption Standard (Triple DES) create a virtual plethora of acronyms and changes that must be considered in future ATM fleet management plans.

The new Triple DES requirements from MasterCard are the primary driver of change, primarily due to the far-reaching impact and defined time horizon. However, all pending regulation and rules should be considered when evaluating how to review hardware plans, evaluate new opportunities, plan for the future and deal with hardware and software obsolescence.

Triple Data Encryption Standard

Triple DES is an encryption method for PIN-based transactions that encrypts and decrypts PIN information three times on transmission and upon receipt at the host. At this time, all ATM owners are responsible for ensuring that newly installed ATMs, including replacements, are Triple DES capable.

MasterCard has mandated that all hosts and processors are Triple DES compliant by April 2003. As part of their plan to phase in Triple DES, MasterCard has set for the following dates for host and processor compliance:

- April 1, 2003 — all member and processor host systems must support Triple DES, all newly deployed ATMs, including replacements and all ATMs deployed since April 1, 2002 must be compliant.
- April 1, 2003 — all ATMs must be Triple DES capable
- April 1, 2005 — strongly recommending that all ATMs be chip capable
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Capable means that the ATM needs to be capable of running Triple DES, but the ATM does not need to be operating Triple DES at this time. Because not all vendors currently have software and hardware available, an upgrade may be required to enable Triple DES.

Unique Key

Remote Unique Key per Terminal (RUK) means that a unique encryption key must be used for each device. This requirement can create an administrative and costly burden for ATM programs unless remote key distribution is incorporated. Remote key distribution allows for the keys to be delivered to the ATM via the host, or other secure remote mechanism, rather than requiring a visit to the ATM. Because Triple DES requires re-keying of the ATM, many ATM manufacturers have added remote key distribution into their Triple DES planning.

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American with Disabilities Act

The recent Americans with Disabilities Act Accessibility Guidelines (ADAAG) provide ATM accessibility to people with disabilities and include specific provisions for Braille, audio prompting and speech recordings. Also, the height of ATMs may need to be modified as the pending rules include a reduction in reach to 48 inches.

The Department of Justice has yet to rule on the specifics...
of compliance requirements with the ADAAG and will only do so after receiving comments from interested parties.

Check Truncation Act
The pending CTA will have significant impacts on a number of areas in banking and commerce and may impact ATM programs. Essentially, the pending legislation allows for an image of the check to be an acceptable substitute for the actual item. This means that paper checks can be converted to an image and the paper can then be eliminated at the point at which the image is created.

ATMs that accept deposits may be enabled to convert the check to an electronic image that is transmitted from the ATM device. This new technology could be valuable in terms of fraud reduction, improved data capture and more cost effective retrieval. Converting the check to an electronic item could also create benefits in terms of reduced float, better and faster check verification and improved loss management.

OS/2 Obsolescence
International Business Machines Corp. plans to phase out the OS/2 operating system, and many ATM manufacturers have developed, or are developing, operating system solutions to fill the gap when OS/2 is no longer supported. Windows® based solutions are becoming the platform of choice for ATM deployers that desire Internet enabled functionality at the ATM. These solutions allow for integrated content and improved channel management by allowing for customized screens, interfaces with non-legacy systems such as CRM, online banking and third party content providers (e.g. advertising).

TCP/IP
TCP/IP enables additional functionality at the ATM that is not easily delivered through other communications and networking technologies. ATM deployers around the country are beginning to add new functionality such as advertising, customized user experiences, one-to-one marketing and event ticket sales. Many of the older technologies are also less stable and are becoming more expensive, which are both critical components that warrant serious consideration.

Though not all of the issues covered are finalized, nor is this article comprehensive coverage of the issues, the future profitability of an ATM program is dependent on future technologies, rules and environment.

When looking for how to best manage the ATM fleet, owners should consider:
• upgrading for compliance only
• taking opportunity to enhance functionality
• increasing longevity and reducing operating costs through new technologies and hardware

It is clear that there is more complexity than ever in successfully managing an ATM fleet. ATM owners should discuss the regulatory and industry changes with their ATM hardware, software and processing provider in order to plan for a successful and compliant ATM program.

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