

atm & debit NEWS

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inside

NetSpend Names A New CEO

Daniel Henry is expected to change the company's direction... Page 4

Wells Fargo Sees More Bulk-ATM Competition

Bank tests Diebold's machine and certifies NCR's Model... Page 3

NEWSbriefs

PCI Council Assumes Control Of PIN-Entry Device Standards

The Payment Card Industry Security Standards Council announced Feb. 11 it has begun managing PIN-entry device security requirements, duty previously handled jointly by Visa Inc., MasterCard Worldwide and JCB International Credit Card Co. Ltd., a Tokyo-based card issuer and processor.

The card brands are "still in charge of enforcement and compliance," says a spokesperson for the Wakefield, Mass.-based council. The "council is the single source of standard requirements" for PIN-entry devices, the spokesperson adds.

"We are simplifying processes and have removed conflicting requirements to ensure a level playing field for the device marketplace," says Bob Russo, the council's general manager. Making the PIN-entry device security requirements available in one location "will ease the burden on merchants, vendors and service providers," he adds.

The PIN-entry device requirements are intended to ensure the security of transactions on PIN-accepting terminals, according to the council. The council will list approved devices, materials for terminal makers seeking PCI approval and laboratories that certify compliant devices, says the council spokesperson.

The council also maintains the PCI Data Security Standard, which includes requirements for security management, policies, procedures, software design and other protective measures.

Five payment brands, Visa, MasterCard, JCB, American Express Co. and Discover Financial Services, founded the council.

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Public Picks PIN Over Signature In Payment-Preferences Survey

Users Like PIN Debit's Speed And Familiarity, Analyst Says

By Meghan Boyer

CONSUMERS PREFER TYPING IN A FOUR-digit PIN to signing their names when making debit card purchases, according to a report from Gartner Inc., a Stamford, Conn.-based research and consulting company.

PIN debit offers "speed and familiarity," says Avivah Litan, a Gartner vice president and author of the report "Consumer Preferences For Secure Payments Create Opportunities For Non-Banks," which Gartner published this month.

Consumers' preference for PIN endures despite marketing efforts by financial institutions and card brands to boost signature

debit use, which earns banks more interchange revenue than PIN purchases do, the report says.

Banks collect more fee revenue from card-accepting merchants on the premise signature debit is more prone to fraud. The reasoning is that the banks need to earn higher fees to compensate.

"Fraud rates on signature-based debit



Litan

See **DEBIT** on page 6

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Wincor Nixdorf And Federal Express Team Up To Deliver Parts Quickly For ATM Repairs

Better Service Could Help ATM Vendor Grow

By Frederick Lowe

WINCOR NIXDORF USA HAS IMPROVED its ability to service the ATMs it sells, especially in big cities where parking lots are expensive and street parking is in short supply, by signing a partnership agreement with Federal Express Corp.'s Global Supply Chain Services, a Wincor Nixdorf executive says.

The advantage comes from storing ATM parts at Federal Express' headquarters in

Memphis, Tenn. When Wincor Nixdorf engineers need a part to repair an ATM, they order it from a proprietary Web site, and Federal

Express delivers it to the nearest FedEx Kinko's store. The engineer can pick up the



Seemann

See **WINCOR** on page 6



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Wells Fargo Expands Test Of Envelope-Free ATMs; Bank Also Is Certifying NCR SelfServ Machines

WELLS FARGO & CO. HAS EXPANDED ITS test of Diebold Inc.'s envelope-free, bulk-check and bulk-cash deposit ATMs, Jonathan G. Velline, the bank's senior vice president of ATM Banking & Distribution Services, tells *ATM&Debit News*.

The San Francisco-based bank's laboratory also is testing NCR Corp.'s new SelfServ envelope-free, bulk-check and bulk-cash deposit ATMs, he says.

Dayton, Ohio-based NCR introduced the SelfServ line in January to fulfill a contract with JPMorgan Chase & Co., the nation's second-largest bank owner of ATMs (*ADN*, 1/31). Chase, which is based in New York, purchased 300 of the machines.

Certifying NCR's SelfServ

Wells Fargo is testing the SelfServ line for 90 days. If the bank certifies the ATM, the bank's employees will use the machine during an additional testing period before consumers start using it, Velline says.



Wells Fargo's Velline

SelfServ has two product lines—the 20 series and the 30 series. The 20 series offers three models—the SelfServ 22, 25 and 26. The 30 series offers four models—the SelfServ 32, 34, 34 Drive-up and the 38. The SelfServ 38, for example, is a full-service ATM that supports cash dispensing, bill payment, funds transfers, mobile phone top-ups, mini statements, check encryption, bulk-check, bulk-cash acceptance and cash recycling. Customers also may pay government fines using the ATM, NCR says.

Wells Fargo also is testing Diebold's Opteva's bulk-check deposit and bulk-cash deposit ATMs, at bank branches in Fort Wayne and South Bend, Ind., Velline says.

The bank tested three of the machines last year. This year, the tests have been expanded to include 20 ATMs, Velline says, adding that Wells Fargo may test as many as 52 machines.

North Canton, Ohio-based Diebold introduced its first bulk-cash line last fall.

Testing Diebold's ATM

Wells replaced older envelope-accepting ATMs in Fort Wayne and South Bend with Diebold's new envelope-free ATM.

If the machines already in place were Opteva models, Wells Fargo upgraded them for envelope-free, bulk-cash and bulk-check acceptance, he says.

"We test the ATM for 90 days to learn how it improves customer convenience and customer loyalty," Velline says.

Wells Fargo also is testing Diebold ATMs in employee-only locations in California.

"We wouldn't consider that a customer-facing pilot," a Wells Fargo spokesperson says in an email message to *ATM&Debit News*.

The Opteva ATM line, equipped with the Intelligent Depository Module, accepts up to 30 checks envelope-free in one slot and an equal number of bank notes in another slot.

Wells Fargo has a network of 6,900 ATMs, making it the nation's third-largest bank-owned ATM network behind Bank of America Corp., which owns and manages the nation's largest bank-owned ATM network with 18,753 ATMs at the end of 2007. Chase, the second-largest bank owner of ATMs manages 8,649 machines.

A Leader In The Use Of Technology

Wells Fargo became the nation's first major bank to deploy envelope-free, bulk-deposit ATMs when it signed a contract in

WELLS FARGO'S VELLINE:

"THE MARKET FOR BULK-CASH AND BULK-CHECK ATMS HAS BECOME MORE COMPETITIVE, BUT WE AWARD ONE-THIRD OF OUR ATM BUSINESS TO DIEBOLD, NCR AND WINCOR NIXDORF."

May 2006 to deploy machines manufactured by Paderborn, Germany-based Wincor Nixdorf International GmbH.

Initially, Wells Fargo bought 400 Wincor Nixdorf ATMs, but the bank has expanded the number to 1,300, Wells Fargo says.

Velline says Wells Fargo divides its ATM purchases among the big-three manufacturers. "We give one-third of our business to Diebold, NCR and Wincor Nixdorf," he says.

The bulk-deposit market has become more competitive because NCR and Diebold recently introduced their first bulk-deposit models, Velline notes.

Analyst Gil Luria of Wedbush Morgan Securities in Los Angeles agrees.

NCR's rollout makes the company competitive in the bulk-check deposit acceptance with rivals Diebold and Wincor Nixdorf, Luria says.

Wincor Nixdorf introduced the bulk-cash- and bulk-check ATM in 2004.

Purchasing ATMs from all of the manufacturers enables the bank to test the multi-vendor software developed in-house with each of the competing operating platforms, Velline says. **ATM**

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NetSpend Appoints CEO To 'Move Beyond' Failed Attempt To Sell Firm, Exec Says

By Meghan Boyer

NETSPEND CORP. EARLIER THIS MONTH REPLACED ITS CEO to signal a change in the company's direction, says Adil Moussa, an analyst with Aite Group, a Boston-based consulting firm.

NetSpend Feb. 6 named board member Daniel R. Henry as CEO, replacing Richard J. Savard, who had served in the top job since 2004. Savard has left the company (*ADN*, 2/7).

The announcement came two months after Capital One Financial Corp. withdrew from an agreement to purchase NetSpend for \$700 million. Instead, McLean, Va.-based Capital One took a minority position in NetSpend and put a representative on NetSpend's board of directors.

Gwenn Bézard, Aite Group's research director, says Capital One decided not to purchase NetSpend because a major prepaid card distributor terminated its arrangement with NetSpend (*ADN*, 1/10). Neither Capital One nor NetSpend have offered an explanation for why the deal fell apart.

Moussa did not offer an opinion on

whether NetSpend, an Austin, Texas-based prepaid card issuer, changed CEOs because of a failed deal with Capital One.

A NetSpend spokesperson says the company did not replace Savard because of the failed deal. "Dan Henry was appointed by NetSpend's board of directors and reflects the board's long-term growth and management goals," the spokesperson says. "[The change] is not related to Capital One."

Moussa says, however, that the new CEO represents "moving beyond the deal and the damages it may have inflicted upon NetSpend. Just recovering from a deal like that can be quite challenging."

Henry, who in 1994 cofounded Euronet Worldwide Inc., a Leawood, Kan.-based ATM processor, said in a



Henry

See **NETSPEND** on page 5



LibertyBank Joins MoneyPass To Free Consumers Of ATM Fees

LibertyBank, a privately held bank based in Eugene, Ore., announced Friday it has joined the MoneyPass surcharge-free ATM network.

"By joining the MoneyPass network, we save our clients money by helping them avoid surcharges and at the same time increase convenience by instantly adding over 12,000 convenient locations by which clients may access their money," Frank H. Hoell, LibertyBank's president and chief operating officer, said in a statement.

The bank has 11,000 cardholders and 15 branches in Oregon. St. Paul, Minn.-based MoneyPass is a network of Elan Financial Services, an ATM and debit card processor, owned by Minneapolis-based U.S. Bancorp.

Cardtronics Set To Provide ATM Services for Safeway

Cardtronics Inc. will provide ATM processing for 650 Safeway Inc. supermarkets, the companies announced recently. The multiyear agreement also calls for Houston-based Cardtronics to provide ATM cash management, maintenance, customer service and monitoring.

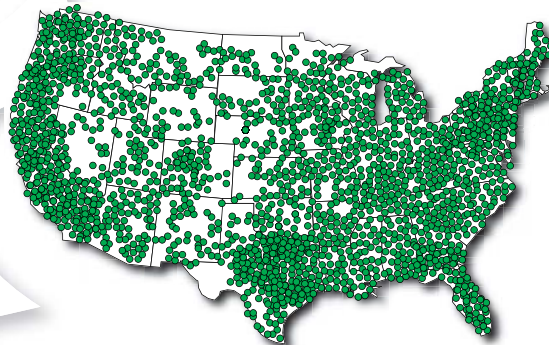
Cardtronics, the world's largest independent sales organization based on ATMs owned and managed, expects to begin the services by the end of next month.

Pleasanton, Calif.-based Safeway operates 1,738 stores in the United States and Canada, according to Cardtronics.

A Cardtronics representative declined to comment on the Safeway agreement, and a Safeway representative could not be reached for comment.

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Nautilus Hyosung Appeals Court Decision, Surprising Former Business Partner Tranax

NAUTILUS HYOSUNG, A SEOUL, SOUTH Korea-based ATM manufacturer, has appealed a Korean court's dismissal of its patent-violation lawsuit against former business partner and current rival Tranax Technologies Inc.

Nautilus Hyosung's appeal surprised executives at Newark, Calif.-based Tranax, which had issued a press release Feb. 1 saying their company won the case because Nautilus Hyosung did not appeal the court decision in time.

Two weeks later, Tranax executives issued a second press release saying Nautilus Hyosung appealed one of the decisions in time, and the appeal process continues.

"As stated in the Feb. 1, 2008, announcement, the two patent claims brought by Nautilus Hyosung for the ATM cash dispenser and locking mechanism were dismissed by the Intellectual Property Tribunal of the Korean Intellectual Property Office," Jeffrey Lee, Tranax's spokesperson, wrote in the release.

"However, Tranax has just been notified that due to the significantly delayed date of service on Nautilus Hyosung by the Intellectual Property Tribunal of the invalidation order in the most-recent locking mechanism case, the appeal period did not expire on Jan. 27, 2008, as Tranax has now been advised. Tranax has now been advised that Nautilus Hyosung has filed an appeal to this invalidation order."

The dispute initially involved two patents— an ATM cash dispenser and an

ATM safe-locking device, says Jim McCanna, Tranax vice president and chief operating officer. Nautilus Hyosung charged that Tranax and two of its vendors violated Nautilus Hyosung patents on both devices.

In September, a Korean court dismissed Nautilus Hyosung's case against Tranax and the suppliers, Lee says.

Following the court's decision, the Intellectual Property Tribunal of the Korean Intellectual Property Office invalidated Nautilus Hyosung's claim that Tranax violated a patent for the locking device and the cash dispenser, Lee says. The Intellectual Property Office acted Nov. 26 on the cash dispenser and Dec. 27 on the locking device, Lee says.

A Timely Appeal

Nautilus Hyosung's lawyers did not appeal the cash-dispenser ruling in time, McCanna says. The company's lawyers, however, did meet the court's deadline for appealing the decision about the locking device, he notes.

McCanna says a process server served Nautilus Hyosung's lawyers with the court order days later than expected, thereby giving the attorneys extra time to challenge the decision.

The appeals process clock does not begin ticking until a court employee serves the lawyers. As a result, the attorneys had until Feb. 5, not Jan. 27, to appeal the decision, McCanna says.

TRANAX'S DUNN:

"THE LAWSUITS ARE PART OF A CAMPAIGN

OF HARASSMENT BY NAUTILUS HYOSUNG THAT BEGAN WHEN THE TWO COMPANIES WENT THEIR SEPARATE WAYS A YEAR AGO AFTER A DISPUTE OVER STRATEGY."

Carlos Siewczynski, vice president of the Coppel, Texas-based North American Retail Self-Service Division of Nautilus Hyosung America Inc., confirmed that the company filed an appeal but declined to provide details.

Bill Dunn, Tranax vice president of sales, charged that the lawsuits are part of a campaign of harassment by Nautilus Hyosung that began when the two companies went their separate ways a year ago after a dispute over strategy.

At one time, the companies were business partners. Tranax was Nautilus Hyosung's only U.S.-based independent sales organization. **ATM**

NetSpend: New CEO Committed To Expansion

From page 4

statement NetSpend is "committed to a continuing expansion program over the next few years to make money and for altruistic reasons."

Mainstream financial institutions have overlooked millions of deserving under-

banked consumers, Henry says. "Our prepaid, reloadable debit cards bring empowerment to those individuals to make purchases, pay bills, make reservations and shop online—all without the need for a bank account or credit history," he says.

That makes cards more than a business to NetSpend, Henry maintains. "We are

dedicated to our mission to break down financial barriers to opportunity and make a difference in people's lives," he says.

NetSpend's network includes more than 20,000 retail locations where consumers may purchase cards and more than 50,000 places where cardholders may reload cards, the company says. **ATM**

PIN Debit: Banks Push Signature, Want Higher Rates

From page 1

card payments are at least 10 times higher," Litan says, "and banks usually eat these costs if they are incurred in a card-present or store environment."

On the other hand, merchants pay less interchange when customers pay for purchases with PIN-debit cards, she says.

"Businesses pay less to banks for PIN-based payments and since consumers prefer them anyway, this is a win-win strategy for all parties except credit card issuers and banks," Litan says.

"What banks want is different from what consumers want," she notes.

Consumers favor using PINs despite financial institutions' rewards that encourage debit cardholders to use signature instead.

JPMorgan Chase & Co., one of the nation's largest signature-debit card

issuers with 10.3 million cards in circulation last year, in November and December ran a seasonal promotion intended to increase signature-debit use (*ADN*, 11/08/07). Chase paid for every 500th signature-debit card purchase up to \$500 made by Chase debit cardholders enrolled

in the "Chase Picks Up the Tab" program.

In other findings, the Gartner report cites cash as the most-popular form of payment, followed by PIN-debit cards, credit cards and signature-debit cards. Gartner conducted the online survey of 4,500 U.S. adults in August. **ATM**

CONSUMERS RANK THEIR FAVORITE PAYMENT METHODS FOR A HYPOTHETICAL TRIP TO THE SUPERMARKET

(1=most preferred and 7=least preferred)

Paying with cash.....	2.88
Using debit card and entering a PIN on a cash-register device.....	3.64
Using credit and signing a payment receipt.....	3.70
Using debit card and signing a payment receipt.....	4.00
Using regular payment but not signing or entering a PIN.....	4.08
Paying with a personal check.....	4.41
Using contactless cards.....	5.28

Source: Gartner Inc.

Wincor: Service Key To U.S. Growth, Company Says

From page 1

part or have a courier deliver it to the location where the engineer is working.

The agreement, announced Monday, underscores Austin, Texas-based Wincor Nixdorf's emphasis on providing better and quicker service for ATMs the manufacturer sells to banks and credit unions, Ulrich Seemann, vice president of Wincor Nixdorf USA Services Division, tells *ATM&Debit News*.

The company and analysts agree servicing ATMs can help Wincor Nixdorf gain market share in the United States.

As of August, Dallas-based FedEx Kinko's, a subsidiary of Federal Express, had more than 1,700 stores in 11 countries, according to its Web site. Wincor Nixdorf has ATM-service operations in 25 states.

Eckard Heidloff, president and CEO of Wincor Nixdorf International GmbH, Wincor Nixdorf USA's Paderborn, Germany-based parent company, wants to double to 10% the company's U.S. market share in the next few years as part of the firm's strategic plan to become the world's second-largest ATM manufacturer (*ADN*, 2/7).

NCR Corp. is the world's largest ATM manufacturer, according to the 2008 edition of the *ATM&Debit News EFT Data Book*, and Diebold Inc. is the world's second-largest ATM manufacturer.

Gil Luria, an analyst with Wedbush Morgan Securities in Los Angeles, calls Wincor Nixdorf's partnership with Federal Express a "clever idea," but he adds that NCR and Diebold "can drive home to banks that they control service-distribution channels in the U.S., and they can get to locations faster and get parts faster."

The Federal Express agreement should make life easier for Wincor Nixdorf engineers who work in large cities, such as San Francisco, New York and Chicago, Seemann says.

"It's difficult to find parking in Midtown Manhattan," Seemann says. "There are tickets and the stress of finding parking. We want our engineers to concentrate on repairing the ATM," he says.

In cities where parking is not at a premium, engineers carry parts in their car trunks, but they also order parts if they do not have the correct one.

Besides making repairs more convenient for engineers, the agreement is intended to provide faster service. Once an

engineer determines what part is needed, he no longer has to return to his car to see if he has it.

Engineers who need a part order it through Wincor Nixdorf's Web site, which is housed in Austin.

Federal Express also operates a Web site connected to Wincor Nixdorf's. Once the part is ordered, it is delivered within 24 hours.

Wincor Nixdorf determined which parts are needed most often based on previous use and forecasts, Seemann says.

Wincor Nixdorf also has service-level agreements with bank clients that require the company's engineers to repair ATMs within a specified period. If the technician fails to make those repairs on time, Wincor Nixdorf faces financial penalties, Seemann says.

Wincor Nixdorf has a similar agreement with Arvato Systems, a logistics company in Duren, Germany. Arvato supplies parts for Wincor Nixdorf ATMs throughout Europe, Seemann says.

The Federal Express agreement will enable Wincor Nixdorf to offer service in more places, Seemann says. "Our target is to have service centers in all of the states," he adds. **ATM**



PERSONNEL Items

Cardtronics Inc.

Houston-based Cardtronics Inc. has appointed **Dennis Lynch** and **Tim Arnoult** to its board. Lynch is chairman and CEO of Providence, R.I.-based RightPath Payments Inc. Arnoult retired from Charlotte, N.C.-based Bank of America after 27 years.

Triton Systems of Delaware

Triton Systems of Delaware has appointed **Daryl Cornell** chief financial officer for global finance and accounts. Cornell previously served as area director of Miami-based Ryder System Inc.'s Used Vehicle Sales



Daryl Cornell

Divisions. Long Beach, Miss.-based Triton is a subsidiary of Dover Corp., a New York-based industrial company.

International Merchant Solutions



Chris Reddish

Matawan, N.J.-based International Merchant Solutions LLC has appointed **Wendy Behrend** agent-relations manager. **Rose Tori**, formerly in charge of agent relations, will move to the company's Solutions Department.

Prepaid International Forum

London-based Prepaid International Forum, an international trade association, has elected **Chris Reddish**, global product head of Prepaid Europe at MasterCard Worldwide, as forum chairman. Reddish has been involved with the association since its founding in June 2007.

COMING events

Card Forum & Expo

Attendees of the Card Forum & Expo include card issuers, analysts, associations, and service and technology providers in the credit, debit and prepaid spaces. This 2008 conference takes place April 6-8 at the Doral Golf Resort & Spa in Miami. Speakers include Steve Boehm, president of Wachovia Card Services; David Evans, founder of Market Platform Dynamics; Timothy H. Murphy, president of the U.S. Region of MasterCard Worldwide; Terri O'Neil, executive vice president of Citigroup Citi Cards in charge of co-branded products; and Harit Talwar, executive vice president of the Discover Network.

Electronic Transactions Association Annual Meeting & Expo

The 2008 Electronic Transactions Association Annual Meeting & Expo takes place April 15-17 at the Mandalay Bay Resort & Casino in Las Vegas. Each year, more than 3,000 attendees take part in the event's educational programs, expo and social events, according to the organizers.



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