

MARKET  
INSIGHT **i** #3

# Choice of Schemes at ATMs

## AT A GLANCE

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ATM operators can individually choose the schemes offered at their ATMs.



Card-issuing banks are increasingly offering their customers debit and credit cards with multiple accepted card logos and thus multiple payment options.



ATM operators can prepare for the changing situation by prioritizing cards with multiple payment options.



With active prioritization, ATM operators can make use of the different scopes of function and price differences of the various card schemes according to their needs if multiple schemes are available for a transaction. At the same time, this simplifies ATM cash withdrawals because it keeps the operation of ATMs streamlined for users.

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### Card Schemes – Changes in the Payment Market

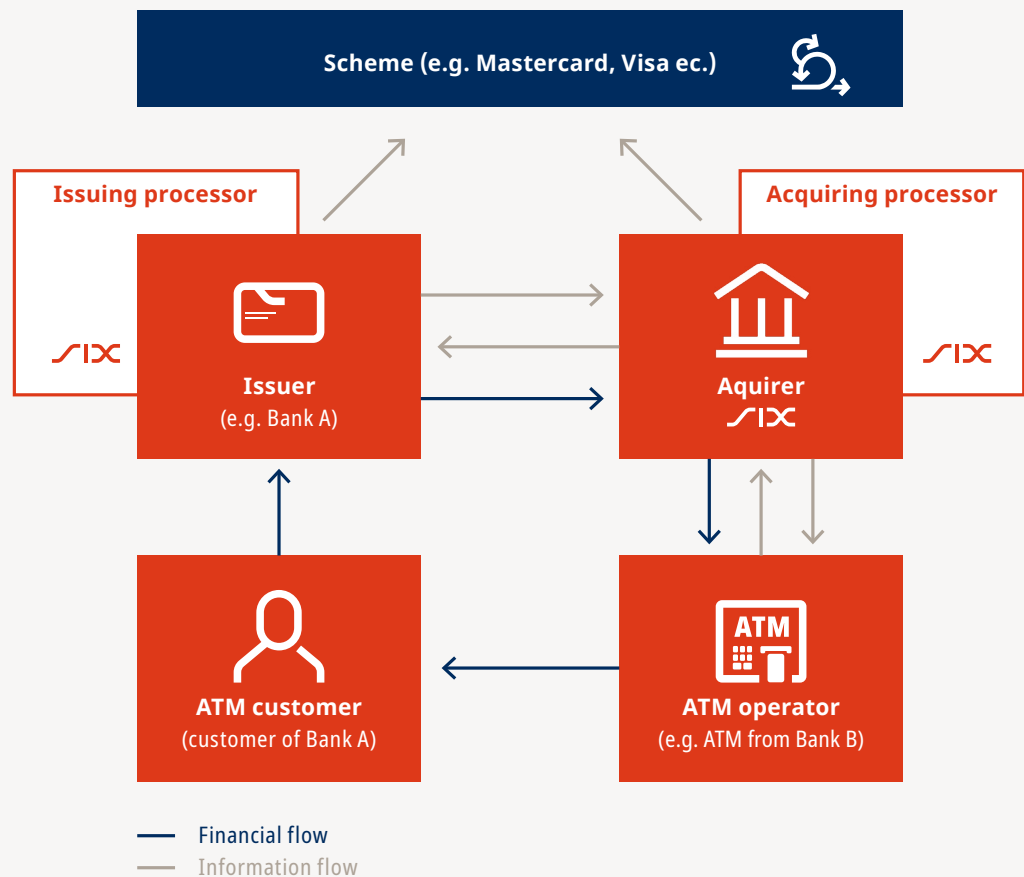
Payment infrastructures and card schemes are central to the stability and function of payment transactions. This is because they enable a simple, worldwide exchange of money between merchants, cardholders and the card-issuing banks. Card schemes define the payment transaction rules for the participating parties.

In Switzerland, ATM operators are free to choose which card schemes they offer at their ATMs. This is regulated in the card acceptance agreement for ATMs. The requirements of the respective card schemes must be taken into account. For example, under the non-discrimination clause for Mastercard and Visa, all brands of these card schemes must be accepted.

In Switzerland, the “four-party system” is usually used. In this system, the issuers of credit and debit cards and the acquirers, as independent companies, connect their customers to the card network. The task of the acquirer is to ensure secure acceptance, transmission and settlement of card transactions with the card schemes. Another variant is the “three-party system.” Here, the role of issuing and acquiring is performed by the same company.

Internationally, payment cards with multiple accepted card brands (means of payment) have been increasingly issued for several years. In Switzerland, too, cards are being issued with multiple accepted card logos and the extended functionalities that go with them. In the future, the National Cash Scheme (NCS) will also appear as such an accepted logo on the payment card.

### The “Four-Party System” for ATM Transactions.





### Card Schemes Worldwide and in Switzerland

Worldwide, Visa's card scheme accounts for around 50% of the total number of payment card transactions. According to 2017 figures, this is just under 150 billion out of a total of 300 billion transactions. Mastercard is the second largest market player with 75 billion transactions, followed by UnionPay with 60 billion transactions.<sup>1</sup>

Regarding Switzerland and ATM transactions, the share of foreign cards is rather low at 2.5%. According to the figures of SIX for 2020, 97.5% of transactions are processed using domestic/Swiss payment cards. In contrast to the international comparison, the majority of transactions are made with Maestro (62.1%). This is followed by V PAY (15.2%), bank cards (11.6%), PostFinance cards (4.8%) and Mastercard (1.9%). Visa only comes in sixth place with 0.9% of all transactions in 2020.



### Competition and Innovations Create New Conditions

ATM operators use the free choice of schemes at the ATM to select what schemes are offered depending on their needs. In this way, they ensure that the scope of services and the fee model of the respective schemes meet their requirements. Until now, it has been advantageous in the vast majority of cases to accept as many card schemes as possible that are available in Switzerland, in order to pursue the highest possible availability at the bank's own ATMs and to be able to utilize them to the full. However, it may now also be interesting for the bank to specify the prioritization of the individual card schemes at the ATM. This active decision-making process is based on a changing card offer. In the context of competition, functional and technological innovations, and growth in e-commerce, more and more credit card providers are adding debit schemes to their offers, as cardholders increasingly prefer payment processing that is debited directly from the account (e.g., Debit Mastercard and Visa Debit). In addition, local card schemes are taking advantage of the international acceptance of major card schemes such as Mastercard and Visa by means of "co-badging." This allows card-issuing banks (issuers) to score points with their customers by offering a range of functions of local schemes tailored to their needs coupled with enhanced, i.e. global, card functionality.

In the case of cards with several card schemes or brands on the card itself, the ATM operator can determine which card scheme is to be used for the transaction. Here, the active prioritization of card schemes at the ATM by the ATM operators opens up scope for optimization. ATM operators can prioritize the payment method that offers the best conditions in terms of functionality and user experience. This means that the cash withdrawal process remains as simple as ever for ATM users, even in the case of payment cards with multiple means of payment. In the vast majority of cases, ATM users do not know the individual schemes or their differences, certainly not as well as the ATM operator. If ATM users had to choose between the schemes themselves, this would only complicate ATM transactions and thus lead to uncertainty. Prioritization helps to avoid unnecessarily complicating the cash withdrawal process for ATM users.

<sup>1</sup> Source: Card Schemes – Europe's loss of importance in the payments market ([core.se](https://www.core.se))

SIX supports ATM operators in defining and implementing the appropriate prioritization. For this purpose, SIX creates a bank-specific ATM configuration package that can be adapted to the ATM operator's requirements if necessary. This ensures that ATM operators are optimally prepared for changes in the payment market and can react quickly to new market offerings in payment transactions or changing customer preferences. Last but not least, this also means that ATM operators can continue to offer users the high level of customer service they are accustomed to.

### From the Choice of Card Schemes to Prioritization

1



ATM operators actively use scheme selection at the ATM for individual decisions

2



Card-issuing banks (issuers) increasingly offer cards with multiple payment options

3



ATM operators simplify cash withdrawals at ATMs by prioritizing card schemes

