



**Here we go again!**  
**Getting out of the ATM upgrade cycle**  
ATM Managed Services





## Overview

Another day, another upgrade. Whether driven by a hardware change, software update or new regulation – upgrades are part and parcel of the ATM lifecycle. For many financial institutions, Windows 10 may seem to be yet another update, but there are other options to be considered this time.

What if you could turn the analysis and execution of the upgrade process over to someone who does it all the time, and not have to deal with this endless cycle once and for all?

Increasing numbers of financial institutions are opting out of continual upgrades by outsourcing some or all of their ATM fleet management to an experienced provider. These institutions are instead focusing on growing their business, improving customer engagement and innovating for the digital future. In this white paper, we examine the strategies being adopted to create more efficiencies and reduce the burden that never-ending upgrades place on resources.

# Introduction

Since their introduction in 1967, ATMs have become a ubiquitous delivery channel for retail banks - replacing tellers and evolving into banking kiosks enabled with multiple features. The ATM is now a critical element in the development of retail banking strategies, branch and digital banking transformation.

However, a continuous stream of software enhancements, technological advancements and industry changes are forcing ATM owners to look more closely at the real costs and benefits of owning and operating their ATMs.

Take hardware for example. In recent years the banking industry has struggled with ADA mandates, EPP, 3DES, and EMV along with contactless. On the software side it's no different. Operating systems have migrated from OS2 to Windows XP to Windows 7 and now to Windows 10. And these upgrades don't include those required to meet other needs, such as:

- Triennial EMV kernel recertification and its potential for core replacement
- Conversion to ATMs with larger screens and touchscreens—now the de facto standard
- Updates to counterfeit templates
- Changes in banknote design and materials e.g. polymer
- Revisions to ADA and Voice Guidance

## The Latest Upgrade on the Block: **Windows 10**

Windows 10 is the latest upgrade of note, and is making waves because Microsoft announced it would end support for Windows 7 effective January 2020. However, Microsoft later stated it would offer Windows 7 extended security updates until January 2023 for enterprise agreements only—on a price per device basis that will increase annually.

Some of the apprehension surrounding Windows 10 is unwarranted due to a misunderstanding of what the operating system drives in an ATM versus a personal computer. For ATMs, Windows 10 is used only as a conduit to operate devices within the ATM. So instead of running word processors, spreadsheets or email applications, Windows 10 for ATMs controls a much more limited set of features and functionality including core components and the basic multi-tasking functionality required for all other software to run. The more critical ATM transaction and handling processes (card reading, dispensing, monitoring, etc.) are performed and controlled by separate, OEM-written applications.

# The Pros and Cons of a Windows 10 Upgrade

Before simply assuming that your institution will have to go through any type of upgrade and manage it on your own, it's wise to fully understand the impact—negative and positive—that such a move will have.

Pros of Upgrade	Cons of Upgrade
Windows 10 is considered to be stable and will enable biometric and contactless/mobile payment technologies	Many ATMs worldwide operate safely and securely running Windows XP, CE, and IBM OS/2
Windows 10 meets current security and compliance regulations	Most attacks target not the operating system, but the physical and logical levels that are protected by hardware, disk encryption, whitelisting, BIOS protections, virus and intrusion detection
Entirely upgraded fleet Upgraded core Latest software upgrades	New ATM—\$10,000+ Upgrade kits—\$2,000+ per machine \$150-\$1,500 per machine for software licenses Manpower—hourly rate

In addition to the planning resources needed to analyze each device in your fleet and what may be needed to convert to Windows 10, the significant financial cost associated with a migration from a Windows 7, XP or CE environment is the biggest drawback for upgrading ATMs to Windows 10. We estimate that most of the approximately 3 million ATMs worldwide<sup>1</sup> serving consumers today are not capable of running Windows 10 due to lack of support for the processor and graphics chipsets. This means that nearly every one of those machines will need a hardware upgrade, or worse, will need to be replaced in order to run Windows 10.

# Strategic Options

## for the Upgrade Cycle

The first release of Windows 10 is already slated for sunset in 2026<sup>2</sup>. It will become part and parcel of a long line of future regulatory, governmental, software and hardware changes and upgrades. What options do you have to effectively manage these continual changes?

### **Option 1: Upgrade your machines.**

To start that process, review your entire ATM fleet in terms of the units themselves, their software applications, security and more. Questions to answer include what should be replaced; what can be upgraded; how much will it cost; and how long will it take? Also be aware of the cost of Microsoft migration rights packages as you replace and upgrade your fleet.

### **Option 2: Do nothing or defer replacement and upgrade of your current fleet.**

Keep in mind that you run the risk of not being fully secure, as well as paying for Microsoft's continued Windows 7 support. And, at some point, you will have to upgrade your entire fleet—particularly if a regulator insists on it.

**Option 3: Replace or supplement your fleet with alternative ATM strategies that lower channel costs**—such as joining a surcharge-free network or branding off-site ATMs. These strategies will:

- Eliminate future requirements to upgrade or replace ATMs
- Expand the number of locations at the same or lower cost of owning ATMs
- Increase brand awareness where your cardholders shop and live
- Expand surcharge-free access quickly, in locations where your customers want it

While the upgrade cycle will still continue, the use of your resources decreases with each option.

### **Option 4: Outsource all or part of your fleet to a third party.**

This allows you to exit the upgrade cycle and brings with it a host of benefits:

- Streamline your ATM channel, containing and reducing costs and capital needs for Win10 and future changes
- Deliver operational excellence with focused support, processes and partners resulting in better uptime and customer experience
- Ensure your ATMs are secure against emerging threats and compliant with new regulations
- Keep ATMs up-to-date with the newest innovations and user-experience trends
- Provide a compelling and predictable Total Cost of Ownership (TCO)

## Tailoring Your Strategy

All or some of these strategies may be adopted, but information gathering and analysis will be needed to determine which ones are the right fit for your organization.

- Audit your existing ATM fleet and determine age and capabilities. This will define how much of your fleet needs replacement versus an upgrade.
- Incorporate current and future ATM channel delivery plans. You'll want to provide a consistent and streamlined fleet image and experience for your customers that includes functionality such as image deposits and multi-denomination cash deposits. It may be necessary to replace your ATMs with models that provide this and newer functionality.
- Develop a financial plan for replacements and/or upgrades to determine whether a capital investment is needed now or can be deferred over the next few years.
- Determine whether there is any remaining value in your current fleet.
- Implement a security stack that provides you with compensating controls and protection for the next OS upgrade requirement. An upgrade may still be required, but this will better enable you to set your own timeframe in which to execute.

## Conclusion

The primary concern for many financial institutions is to ensure their ATM hardware and software are fit for purpose. This typically necessitates full functionality, exceptional security and high uptime — all of which directly results in a better customer experience. The choice of whether to migrate to Windows 10 or make any type of upgrade or change should be based on an assessment of the benefits and value derived from that change. With no relief from future changes in technology and regulations, it's no wonder some financial institutions have said 'enough' and are adopting alternative ways to alleviate the burden of the upgrade cycle.

## Endnotes

1. ATMIA
2. <https://support.microsoft.com/en-us/help/13853/windows-lifecycle-fact-sheet>



2050 W. Sam Houston Parkway South, Suite 1300

Houston, Texas 77042

Tel: (832) 308-4000 | [www.cardtronics.com](http://www.cardtronics.com)