



Letter from the CEO



Once again, it has been a very busy period in the Level Four offices around the world. Interesting developments include how Canada's migration to EMV has fuelled the demand for automated ATM testing solutions. The banking world will certainly be watching the effect of Chip and PIN security on the wider North American market to see how the USA's abstinence will affect the country's fraud levels.

Other topics discussed in the newsletter this month include an article from Martin Macmillan, business development director, that investigates the adoption of IFX ten years after its inception. We have also released a guide to ATM monitoring. This is available for free by visiting our website and downloading a full copy at www.levelfour.com.

Ian Kerr, CEO, Level Four
Please email your comments to enquiries@levelfour.com

Kazakhstan bank to automate ATM testing with Level Four



КАЗКОММЕРЦБАНК

Kazkommertsbank, the largest private bank in Kazakhstan, has chosen Level Four's automated, end-to-end ATM testing and development software, ATM Developer. Level Four's solution will enable the bank to design, configure and test new ATM content directly from a desktop PC for an enhanced customer experience at the ATM. The bank will benefit from reduced testing cycles, faster time to market of new services and improved operational efficiency.

Inessa Yespenbetova, director of the bank cards department at Kazkommertsbank, said: "Our strategy is to maintain our leadership of the Kazakhstani banking market by introducing new services as well as improving operational efficiency. ATM Developer goes a long way to helping us meet our strategic goal. Not only does it provide more thorough end-to-end testing of the ATM network but it also reduces our testing cycles prior to rolling out new ATM content to our customers."

Level Four ensures smooth EMV migration at Canadian ATMs

Level Four has signed three leading Canadian banks to BRIDGE:test. The demand for Level Four's automated testing solution for Windows-based ATM applications has been largely prompted by the EMV standard mandated in Canada for December 2012. Other drivers have been the worldwide migration to the Windows operating system and relentless industry move towards the XFS open standard.

Level Four's extensive experience of EMV compliance projects for ATM networks at leading banks throughout Europe and the Middle East was a deciding factor for the three banks to sign up to BRIDGE:test in 2007. Steven Lund, President of Level Four Americas, said: *"BRIDGE:test is much more than just a test tool; it will empower our Canadian banking customers to take control of their ATM networks during a period of significant change."*

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IFX - what is all the fuss about?



10 years after the Interactive Financial eXchange Forum was founded, little progress seems to have been made to implement the XML-based messaging standard. Martin Macmillan, business development director at Level Four, discusses the specification and why now might be the turning point for its adoption.

Stronger industry collaboration and harmonisation of standards is a mantra touted by many in the banking industry. The benefits of adhering to open standards processes are widely understood. However, the current flood of acronyms to comply with – SEPA, MiFiD, PCI DSS are just a few – are forcing financial institutions to prioritise projects rather than take them all on at once.

Lost in the sea of open standards initiatives is IFX. The Interactive Financial eXchange specification is an open, interoperable framework for electronic financial data exchange between financial institutions worldwide. It enables the processing of transactions through banking channels seamlessly, regardless of point of origination or technology platform. The industry has been discussing the benefits of such a standard for a number of years but to date, only a handful of financial institutions worldwide have adopted the IFX messaging standard for their ATM networks.

IFX and the ATM channel

With the European market leading the significant investment to migrate ATM networks to a Windows operating system run over TCP/IP networks, IFX can further complement the benefits these upgrades have brought. The IFX standard provides a more open way of communicating between terminal and host and is better geared towards modern ATM software architectures which rely less on traditional host systems for non-financial transactions. Typically, these modern ATM applications route financial transactions through a secure IFX channel, whilst other ATM services such as advertising can communicate directly with external systems. As part of a wider multi-channel initiative, the adoption of IFX would definitely be cause for celebration for those working within a bank's ATM business area as it starts to move banks away from the "siloeed" channel mentality that has prevailed for so long.

Why change?

Migrating to IFX offers benefits to all parties involved in transaction processing hence the success of the IFX forum, a not-for-profit standards-developing organisation that supports the adoption of IFX. Beyond financial institutions, their most active members include switch vendors who have an obvious motivation to promote IFX. The ability to reduce the replication of supported protocols and decrease the investment in customised ATM handlers is incredibly appealing



both in terms of the cost saving and also the simplified transaction processes that could be achieved across multiple channels. Ultimately, the utopian vision of a transaction processing system that integrates multiple channels would be realised. The motivations of the existing ATM manufacturers are less clear, as actively promoting the movement away from proprietary to open standards would actively put their customers "in play" for a new ATM software solution – something they appear keen to avoid.

Financial institutions also stand to benefit from the agreement of a single XML-based message format. Such a move would realise cost savings and increased efficiency for the banks but the biggest motivation is the ability to gain a greater level of control of their banking channels. For ATM networks specifically, IFX would further loosen the shackles that proprietary hardware and software have created and enable banks to upgrade ageing legacy systems. Banks would be able to select the solutions that best fit their needs as opposed to being forced to choose those that communicate with their systems.



A challenging legacy

Whilst the benefits of IFX are clear and widely recognised, there has been little adoption of the standard to date. Migrating to an IFX-based messaging standard is not a simple proposition and there are various considerations that have been hindering the adoption of IFX.

Primarily, although IFX will create cost savings for financial institutions in the long-term, as with all systems upgrades there is an initial investment. This is particularly true for the first wave of adopters who will pave the way for future migration plans. Facing the need to implement many regulatory and compliance projects, financial institutions are only able to commit to those with the strongest business case. In these times of increased scrutiny around developing a business case following last year's credit crunch, such major upgrades may be put on hold until a more optimistic market tone returns.

Furthermore, migrating to IFX is not just an investment in hardware – the ATM network would be re-engineered in a number of different ways. The legacy systems that underpin the network would be either refreshed or replaced – a major decision for any institution. Additionally, due to the amount of internal knowledge accumulated about these protocols and communication infrastructures, internal processes would need to be redefined and staff given additional education.

When will it finally begin?

Despite the widespread hesitation, banks are increasingly considering the move to IFX as part of a wider strategy to update ageing system architectures. Indeed, banks that are undertaking a wholesale technology refresh, perhaps in the wake of such compliance initiatives as SEPA, are now taking the IFX proposition seriously and its adoption is moving from discussions to proposals.

To make the transition as seamless and efficient as possible, banks seeking a “product” solution to their requirements are expected to adopt a staged roll-out over the next three to five years. The migration to IFX for the ATM channel can be simplified if the bank is operating on a modern, open standards architecture where the messaging layer is already abstracted from the software. This enables the bank to change its messaging protocol to IFX without the need to replace the whole ATM application.

With a growing pressure to be more efficient, transparent and maintain profits, banks are increasingly looking to modernise the solutions that power their transaction processing. Benefits ranging from integration of channels, greater choice and control to cost savings and competitive advantage are all gradually forcing financial institutions to develop a strong business case for IFX and other open standards initiatives.

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Martin Macmillan
business development director, Level Four



Level Four joins XFS Technical Committee

Level Four has joined the Technical Committee for the CEN/XFS standard, part of the European Committee for Standardisation (CEN). As committee members, Level Four will strengthen the voice of independent suppliers of open standards ATM software.

A key objective of CEN's XFS Technical Committee is to define and oversee a way of enabling ATM hardware and software from different providers to communicate with each other through the XFS open standard. By utilising this standard, ATM deployers can independently choose best of breed hardware and software, and successfully deploy multi-vendor strategies.

Faulty ATMS encourage disloyalty in French consumers



own bank's ATM was not functioning. The range of transactions available in France is ever increasing beyond simple cash dispensing and as more and more consumers are adopting enhanced self-service functionality, ATM uptime becomes increasingly important to customer service.

The statistics revealing potential customer disloyalty are particularly surprising in France given the administrative effort required to change banks. The results clearly highlight, however, how customers are placing more and more emphasis on both cash delivery and the additional range of services that banks offer at the ATM.

As the move to open standards gathers pace, software is becoming increasingly key to unlocking value from the ATM channel. Ian Kerr, CEO of Level Four, said:

"Adopting the XFS standard is the only way that the industry can move forward and use more sophisticated functionality to unlock the potential of ATMs as dynamic and revenue-generating customer touch points."

Upcoming events



At 10am on 15 April, Ian Kerr, CEO of Level Four, will give a presentation at the ATMIA London conference entitled "Towards intelligent monitoring of ATMs", which will discuss the challenges and opportunities for deployers of Windows-based ATMs.

Recent events



Level Four's Middle East director, Issa Keshek, takes to the stand at the ATMIA show in Dubai in December with Rivi Wickramarachchi, manager, Applications Development, National Bank of Dubai National Bank of Dubai. They presented to the conference on the migration of a UAE ATM network from OS/2 to Windows.

BRIDGE:test award win



Following its launch in 2007, BRIDGE:test finished the year on a high note by winning the Best Software Product at the Scottish Software Awards in December. Paul Gardiner (left) collected the award for Level Four.