

LEVELFOURNEWS

Getting more from your ATM network

Spring 2006, Issue 12



WELCOME TO LEVEL FOUR NEWS



Welcome to the Spring 2006 edition of Level Four's newsletter. This truly has been a period of new beginnings for Level Four with the announcement of its first ATM application software, BRIDGE, a cutting-edge product that will help propel the ATM market into the 21st century. In this issue, read our opinion piece on the adoption of open standards and get an update on our customers. We are also proud to announce the appointment of a key new product manager as well as share our latest awards success with you.

Martin Macmillan, Marketing and Business Development Director,
Level Four Software

Email your comments to enquiries@levelfour.com

LEVEL FOUR HERALDS A NEW ERA WITH OWN ATM APPLICATION SOFTWARE

Level Four entered the ATM application software market in April, with the unveiling of Level Four BRIDGE, the first truly distributed architecture software solution for the ATM market.

Propelling the ATM industry into the 21st century, this is a landmark step towards a new business and technology model for the ATM and self-service channel that will enable banks to unlock the profit potential of their networks. Level Four BRIDGE is a flexible ATM and self-service software application that provides a complete business solution for the ATM and self-service terminal software needs of retail banks and third party ATM processors.

Following the move to open standards technology and based on its continued commitment to driving improvements in the ATM market, Level Four wanted to deliver a solution that would trigger a turning point in the industry. This product

responds to a concrete market need for advanced ATM and self-service software capability, offering a genuine alternative to the legacy software currently delivered by ATM vendors and enabling banks to transform their ATMs into dynamic, revenue-generating service providers.



Level Four BRIDGE transforms the ATM channel into a CRM and business development opportunity, eliminating the dependency on IT resource availability. Its distributed software architecture takes advantage of the XFS and IFX standards and has been developed in a holistic manner to offer a flexible network server approach. Banks can therefore run and control their ATM applications from network servers rather than on individual ATMs, so new content can be integrated

into the network quickly and inexpensively.

The holistic design of Level Four's solution increases the opportunity to interact with other bank systems and third parties, offering banks the opportunity to create new revenue streams by delivering up-to-date, personalised ATM services to their customers.

Specifically, it allows for new advertising opportunities, individual customer-focused promotions and targeted services, leading to an increase in cross-selling and new product sales opportunities. Additionally, the bank is able to deliver clear brand image and product consistency across all channels, which in turn will enhance customer loyalty.

The unique architecture of Level Four BRIDGE also offers banks the possibility to reduce costs by outsourcing the entire end-to-end management of their ATM network, while retaining control of the service presented to its customers.

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OPINION PIECE: Jorge Fernandez, president and CEO of Level Four Americas, explains how the adoption of open standards helps the ATM industry move forward.

Imagine if you could only buy software for your PC from the manufacturer of the hardware. This means that companies like Dell, IBM, Gateway, Toshiba, Panasonic, Sony and others would have their own versions of spreadsheet, presentation, email and word processing software. In such a world, the personal computing business would not have grown as fast as it has over the last decade or so. File sharing would be cumbersome and productivity would no doubt have suffered along the way.

Thanks to Microsoft, we do not have to envision such a world as they have created a true open platform of software products that could be loaded in a common platform, regardless of who you purchased your PC from. This open architecture not only made it easier and faster to work, but it also helped make the hardware a commodity. This greatly contributed to keeping costs down as the end customer was free to choose amongst a variety of hardware vendors for the best price, knowing that the software products were guaranteed to work the same.

I believe that the strategy of creating open platform systems worked for this industry and is essential for the future of the ATM industry which has been one of the last to make the move. While the physical ATM may have experienced lots of changes over the years, the core systems that make these

machines work has remained virtually unchanged for decades. Up to the present day, deployers have been dependent on the vendor(s) they work with for everything from hardware to software and services. Since ATM applications remained static for decades, mainly supporting basic customer transactions such as withdrawals and account inquiries, the disadvantages of the dependency was often overlooked in the interest of working with "turnkey providers".

To large deployers, having to purchase everything from one or two vendors was not only a nuisance, but it also created large operational issues as they had to support separate terminal drivers at their host and depend on their vendors for every software modification. This meant that if a large bank supported two vendors, it had to wait until both vendors completed and tested their applications in their respective platforms before they could do a full roll out. Since there was little choice as to who would do these software modifications, the banks were also at the mercy of the vendors when it came to pricing for software upgrades.

The emergence of off-premise ATMs and their respective

vendors did not help matters as virtually all of these vendors had proprietary systems, most of them using assembler based applications. While this seemed like a throw back in time, the strategy of supporting low level languages helped reduce the cost of the hardware, which was an absolute requirement for off-premise deployment.

All of this is now changing at a very fast pace, which in many cases is creating confusion and bewilderment in our industry. The old world of proprietary systems came to a halt when IBM announced that it would stop supporting the OS/2 operating system, which had become the standard in ATMs for many years. This void was



Jorge Fernandez,
president and CEO of
Level Four Americas

quickly filled by Microsoft and Windows is now becoming the new standard, at least in the Americas. In Europe, talk of using LINUX as the ATM's operating system together with a Java application is gaining momentum.

Deployers are also finally understanding the promise of the ATM as a truly efficient and cost-effective delivery channel. The adoption of open standards software is enabling deployers to use their ATM networks to offer new and innovative products to their customers without the proprietary ties of the legacy software era.

A few years ago Microsoft intelligently saw this coming and made the first attempt at creating an open standard called WOSA/XFS (Windows Open Systems Architecture). The idea was that deployers could have a single application developed for their ATMs and then run that application across any vendor's machine running Windows and that was WOSA/XFS compliant. This ultimately would make ATM hardware a commodity and allow the deployers to better negotiate terms while also keeping the application consistent across the network. It had the additional benefit of reducing host terminal driver requirements by reducing the need to support different terminal drivers and vendor specific communication interfaces. WOSA/XFS eventually became simply XFS and it defined the way applications would run inside the ATM, with the standard being maintained by the CEN committee in Belgium.

The emergence of these new standards has created a niche crop of software companies that develop open standards based ATM applications and increasingly, deployers have started to realise the value of looking at their hardware and software requirements separately.

While banks and larger FIs are moving in the open systems arena, the off-premise market seems somewhat behind and I for one think that this market in particular has the most to gain

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from an open platform approach. ISOs and independent deployers have demonstrated time and time again that they are very efficient in marketing new and innovative solutions to the retail market. As the traditional business of off-premise ATMs becomes more and more saturated and as transaction volumes at the average machine continue to see an aggressive rate of decline across the board, deployers must look for ways of making the machines more profitable and what better way than to offer new services to their clients. Using assembler based software applications makes it very difficult to add new functionality, but an open platform coupled with a more flexible software architecture makes it easier.

In the US, processors and terminal drivers have the best opportunity of exploiting this since they already work with the ISOs and have the capability and infrastructure to develop and offer new products and services at the ATM. From that perspective, a processor sits in the driver's seat when it comes to new functionality – they could control the development and testing of the application without having to depend on external vendors, and could negotiate deals with external providers, offering the bundled product to their distribution network, the ISOs. I am not saying this is easy. There are well over 250,000 off-premise ATMs in the US alone that do not support open systems. Like banks, the cost of an upgrade

to these low-cost ATMs could be off-set by the additional revenue received from additional ATM services.

The ATM industry is now coming to terms with fast-paced changes, with the adoption of open standards such as XFS and IFX and the proliferation of new operating systems such as MS Windows, Java and Linux. The off-premise ATM market must, like FIs, look at these emerging technologies as a way to combat the downward spiral. Open systems offer true vendor independence, help reduce costs and allow for maximum flexibility in adopting new services.

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eFunds

Level Four Software goes from strength to strength and has recently signed a deal with eFunds, the leading provider of risk management, electronic payments and related outsourcing solutions, for an implementation of Level Four's ATM Channel Development Suite.

As one of the largest EFT processors in the world, eFunds was looking for comprehensive end-to-end testing tools

to assist in the testing of their systems. By implementing ATM Developer and ATM TrueTest, eFunds will be able to automate their testing processes, improving and streamlining the company's development operations.



Level Four's ATM Channel Development Suite, which includes ATM TrueTest and ATM Developer, has been implemented as part of a global licensing agreement at their offices in Chennai, India and also in Watford, England.

RABOBANK

Now that deployment of Level Four's ATM TrueTest at Rabobank is complete, the leading financial services provider in Holland is reaping the benefits.

As well as enabling it to be the first large EMV-compliant bank in the Netherlands, ATM

TrueTest has enabled Rabobank to reduce hardware costs by 30 per cent, improve software maintenance by 10 per cent as well as drastically reduce training needs.



Rabobank

According to Patrick Kipping, Rabobank's Systems Development Project Manager, "We've been impressed by ATM TrueTest's capabilities, so much so that we now use it as part of our standard testing methodology."

Level Four has recently published a case study of how Rabobank is using ATM TrueTest to deliver real business benefits.

To download this case study, please visit www.levelfour.com

LEVEL FOUR APPOINTS ATM EXPERT TERRY DE LA MOTHE

Level Four has appointed Terry de la Mothe as product manager. Working with product director Jim Tomaney, de la Mothe will take responsibility for the overall functionality and release cycle of new products. He will be responsible for the ongoing management of Level Four BRIDGE, liaising with both existing and prospective customers, as well as with our internal sales and marketing, R&D and product development teams.

De la Mothe has more than 20 years experience of the EFT and card processing industry. Most recently, he worked for Ascert Ltd, responsible for supporting the

system testing of the new VISA VDPS Authorisation platform.

Prior to this, he worked for Lloyds TSB, acting as technical manager for a number of ATM Gateway projects. This role came after 10 years with ACI Worldwide.



Terry de la Mothe

AWARDS



Level Four has triumphed in the past couple of months, sweeping two prestigious awards for its ATM TrueTest product.

In March, Level Four won the Fife Business Award for innovation and creativity from Scottish Enterprise, for the second year in a row. The Fife Business Awards highlight the achievements of Fife-based businesses across industry sectors over 12 months. The awards are regarded by local organisations as the premier event on the calendar for identifying industry excellence.

Only one month later, Level Four was presented the silver award for 'Most innovative and advanced payments software/hardware product launched in 2005' by EPCA, the European Payments Consulting Association.

For more company information, please visit www.levelfour.com or call +44 (0) 1628 674732