

DIEBOLD INC (DIEBOLD) AND WINCOR NIXDORF AG (WINCOR) MERGER INQUIRY

Summary of a call with HSBC during the phase one inquiry on 13 July 2016

1. HSBC had sponsored new entry into the UK market for automated teller machines (ATMs) two to three years ago with Diebold. This took place as HSBC considered there were a limited number of suppliers that could provide hardware, software and engineering services. They requested offers from six maintenance suppliers and looked at their incumbent supplier, IBM, and Diebold. At the time Diebold was a small presence in the market for ATM engineering services but was looking to expand into the hardware sector. HSBC made a decision to split the award; the maintenance of existing ATM devices went to IBM and the replacement devices, which were to be Diebold devices, to Diebold.
2. Were Diebold's prices were to increase, HSBC would research alternative options and consider whether they would sponsor entry again. For example, [REDACTED]. Therefore, if their devices were to be aligned to HSBC's requirements, there would be no reason not to recommend them also for their UK use.
3. HSBC's current purchasing strategy was to look for multi-vendor solutions so they could use software from a particular provider and install it on their devices. However, where possible and commercially viable, they would try and combine hardware, software and maintenance so that they had one vendor who looked after all aspects of their ATM offering. It was therefore important that the providers were global players and had coverage (in terms of hardware deployed in the market and an adequate maintenance model) in many of HSBC's key markets.
4. From HSBC's 2013 tender, they had two hardware providers at a global level: NCR and Diebold. The overall price for the tender had been approved at a global level. Each country then had to choose one provider or the other. Although countries could add to the configuration of a provider's offering according to local requirements, the strategy meant that a sponsored entrant would have to be in or able to enter multiple HSBC markets to be considered for a tender. There were four potential options including [REDACTED]. [REDACTED] was another provider to consider, [REDACTED].

5. With regards software, HSBC's approach was also global. Its review of possible providers included four companies. These were [REDACTED]. Wincor's multi-vendor software had won HSBC's latest tender. [REDACTED] came second, then [REDACTED] and finally [REDACTED]. [REDACTED].
6. For maintenance services the decision to purchase was made on a country-by-country basis. In the UK Diebold maintained its own devices for HSBC, the remaining devices were managed by IBM and the devices found on remote estates were maintained by G4S.
7. Maintenance was also a significant factor in relation to Diebold's entry into the UK market. Diebold had to provide a clear plan and a guarantee of funding on how they were going to build their maintenance network to cover HSBC's service needs (HSBC had approximately [REDACTED] Diebold devices in the UK with more to be deployed as they replaced old devices). Had Diebold not been able to guarantee this support this would have affected HSBC's decision to sponsor Diebold into the market. If Diebold could have guaranteed training and original spare parts to a third party provider, this might have been acceptable for HSBC at the time.
8. With regards the impact of the merger, HSBC could mainly see benefits arising from it. [REDACTED]. Diebold and Wincor were also prominent in various national markets and with HSBC having a global strategy framework of ATM services this would bring significant efficiencies. [REDACTED].