



# Credit Suisse, Digicash in E-Commerce Test


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Digicash Inc.'s eCash has found its way into another of Europe's top banks.

Credit Suisse of Zurich started an Internet commerce project this month relying on the Digicash technology to facilitate micropayments.

As Digicash, which is based in Palo Alto, Calif., continues an eight- year struggle to bring eCash into the mainstream, it can now claim to have licensed it to institutions as prestigious as Credit Suisse, Deutsche Bank, Bank Austria, and Den Norske Bank of Norway.

The company also has licensees in the Pacific Rim and retains its original U.S. customer, Mark Twain Bank of St. Louis, now a division of Mercantile Bancorp.

"We have been swimming under water for quite some time," conceded Digicash president and chief executive officer Michael C. Nash. But the Credit Suisse signing and the recent announcement that former Wells Fargo & Co. president William Zuendt had joined the Digicash board may indicate a turning of the tide.

Mr. Nash, a former Visa International and American Express Co. executive who joined Digicash in 1997, said he was not at liberty to discuss other, pending developments. But he promised "a pretty major announcement" this summer that would demonstrate the strides being made.

Established in Amsterdam about eight years ago by the cryptologist David Chaum, now a director and chief technology officer, Digicash had its virtual cash technology ready when the Internet emerged as a commercial medium in the mid-1990s. "Coins" issued and backed by banks could be paid from and received in personal computers.

Though tested widely, including in a Digicash-sponsored experiment called cyberbucks, eCash never really broke out of the laboratory. With an international infusion of venture capital last year, the company moved to Silicon Valley in search of new credibility and a fresh start.

The Credit Suisse implementation, though more aggressive than others, is described as a pilot to last at least three months.

Delivering digital cash for the first time to Switzerland is Swiss NetPay AG, a joint venture of Credit Suisse and the consulting firm Ecofin. Their plan is to create a micropayments "platform" that can support other banks on a service-bureau basis.

An eventual 28 merchants in the Zurich area are to be accepting eCash. It will be available to any consumer older than 14 with a Swiss bank or Postbank account.

Participants open an account with Swiss NetPay called eCash-Depot. Logging on to the NetPay home page, they can download cash from the eCash- Depot into an electronic wallet on their personal computer, and then make purchases with it.

As an incentive, Swiss NetPay is offering each of the first 2,000 clients a credit equivalent to \$17.

Mr. Nash has been counting on growth in Internet commerce to generate demand for a digital form of cash, and he is convinced Digicash, with its experience and roots, will prove technically superior to the competition.

With a European banking network taking shape in support of eCash, Digicash also hopes to be well placed to capitalize on the coming of the single currency, the euro.

Outside observers have not been sharing the optimism.

At a conference sponsored by American Banker two weeks ago, Citibank vice president and former Financial Services Technology Consortium president Daniel Schutzer said electronic cash was shaping up as a "niche product."

Mr. Schutzer, who has followed the progress of eCash, Cybercash Inc.'s cybercoin, Digital Equipment Corp.'s Millicent, and other contenders, said the technology may be suited to loyalty and premium redemption systems like airline miles.

"To call it a niche product is not derogatory, it's reality," said Thomas P. Vartanian, a lawyer who exhaustively described Internet value transfer systems in a book he just published and co-wrote, "21st Century Money, Banking & Commerce."

"Looked at a certain way, every financial commodity out there is a niche product," said Mr. Vartanian, Washington managing partner of Fried, Frank, Harris, Shriver & Jacobson. "Every product that was thought to be the next wave in money or the movement of payments failed in its initial stages and became a money-maker only after overcoming the inertia of consumers."

Even the money-makers do not sweep all older payment systems aside, Mr. Vartanian pointed out.

He said behavior changes slowly because people have an emotional connection with their money and they will not be moved by something that is "just a substitute for what they already do."

"They say, 'Lower the cost, increase the value, or give me more convenience,'" Mr. Vartanian said. He sees digital cash taking off when "people figure out multifunctional uses for the technology."

Agreeing with Mr. Schutzer, he said that route may be through cobranding and loyalty programs-and a rational approach to pricing that has yet to be settled on.

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Mr. Nash hinted that Digicash is working on just those challenges.

"To have a micropayment system that serves a global marketplace, we have to do some things with eCash that were not in previous implementations, and we have to work with the right partners," Mr. Nash said. "We are well on the way to doing both this year.

"I am taking heart in the growth in the number of people doing things on the Internet with micropayments," he added. "It shows there is demand out there. Thanks to our efforts of the past year, we will have better answers and products for this market than those who are coming in later."

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