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## Technology

### Former Wells Execs Develop Niche Filler for E-Purchasing

Thursday, August 3, 2000  
By Steven Marjanovic

Two Wells Fargo & Co. veterans are stepping up to fill a void in Internet payment services for businesses.

Alan Holroyde and David Kurrasch, who left Wells Fargo in the mid-1990s, have formed a company named Virtual Purchase Card and developed a product of the same name that combines elements of the automated clearing house, purchasing cards, and checking accounts.

Wells Fargo and FleetBoston Financial Group are to begin testing the virtual card this fall.

The card is one of many electronic payment products being developed as digital marketplaces proliferate. Though corporate buyers and sellers are flocking to Web sites, they face a scarcity of e-payment options once they get there. Often they are forced to use traditional methods such as checks or wire transfers to execute transactions.

Meanwhile, sellers that accept credit cards face steep fees from merchant banks seeking to make up for the riskiness of accepting cards without knowing the identities of the holders.

The virtual card addresses these issues by having buyers who use the virtual card would have to be authenticated by a well-known financial institution. This will put banks at the center of the process by making them responsible to vouch for their corporate customers' identities, said Mr. Kurrasch, president of Virtual Purchase Card in Alameda,

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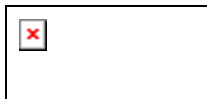
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TOP U.S. BANK AND THRIFT HOLDING COMPANIES  
Ranking the Banks  
(Q2 2000)

Name	Assets (\$ bil.)
Citigroup	\$792
Bank of America	\$680
Chase	\$396
Bank One	\$273
J.P. Morgan	\$266
First Union	\$258
Wells Fargo	\$234
Washington Mutual	\$186



Calif.

The company would recruit merchants to use the product and run the database that checks prospective buyers' identities.

The virtual card "has the look and feel of a purchase card in terms of its reporting and the transaction approval process as experienced by the buyer and seller," Mr. Kurrasch said. "It incorporates the positive pay feature of the checking account product so that the buyer is in charge of preapproving the debit to his or her demand deposit or loan account. And it relies on the ubiquitous settlement utilities of the ACH."

The product will also cut the merchant's cost of accepting an online payment, Mr. Kurrasch said. On a \$1,000 transaction, the average discount rate of 1.8% to 2% would be reduced to about 1%, he said.

"We put 100 basis points in the merchant's pocket, with the added benefit that they know the transaction has been authenticated by a financial institution standing behind the buyer's purchasing power," he said.

The virtual card will eliminate fraud and chargebacks (refunds for returned products) entirely, Mr. Kurrasch said. Since buyers and suppliers will be preauthorized by banks or by Virtual Purchase Card, no party could repudiate a transaction. Merchants are to submit information on merchandise bought to the Virtual Purchase Card database, eliminating the possibility of chargebacks, he said.

The product, which is being patented, is timely. In a recent Arthur Andersen survey of 226 financial services firms, only 20% said they were pursuing a business-to-business electronic commerce strategy that includes payments and collection applications.

Virtual Purchase Card has identified about 120 large suppliers, including e-commerce companies like Ariba, that could benefit from the product and would add their participating buyers and suppliers. It is in talks with Commerce One.

The company has identified 40 banking companies that it hopes to sign on as partners within two years. It is also soliciting a relationship with Identrus, the global trust organization of banks that is developing a digital certificate system.

"There are a lot of buyers coming to sites on the Internet, and the seller says, 'I have no idea who you are,' " Mr. Kurrasch said. "What the merchant really wants is

FleetBoston	\$181
SunTrust	\$100

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someone to tell him or her that it is you and, just as importantly, that you have verifiable buying power."

FleetBoston, which along with Wells has an equity stake in Virtual Purchase Card, is to provide 19 corporate customers for the test.

Michael J. Curran, executive vice president and managing director of FleetBoston's global services division, said that Virtual Purchase Card is one of a score of e-payment initiatives burgeoning throughout the industry and that he expects them to converge eventually.

"You buy the whole car. You don't buy the engine and the wheels and the chassis and the muffler," he said. "What is happening now is that everyone is simultaneously building engines and wheels and mufflers."

Steven Ellis, executive vice president and head of wholesale Internet services at Wells Fargo, said his company also is exploring several e-payment options.

"Different buying activities require different types of payments," said Mr. Ellis, who is also on Virtual Purchase Card's board of directors. "We want to offer a basket of services to an exchange that would let customers pick and choose the services they want to facilitate transactions."

Steve Fabes, director of financial services at Commerce One, said he is interested in the virtual card's simplicity and low cost. "They eliminate the chargeback risk," Mr. Fabes said. "It is always the exception that kills you. Kurrasch and his crowd seem to have spotted that and have jumped in, and for that reason alone I think it is going to play."

Mr. Curran said that every bank-corporate relationship will undergo a "catharsis" as soon as corporations get registered on Internet market exchanges. Registration will ultimately point a company that needs a credit or a service to a bank, he said.

"The buyer needs to make a decision," Mr. Curran said. "Every relationship in the next couple of years will undergo this catharsis of a company either recommitting to a relationship or walking away. If they sense that their bank is not going to be there and able to do do it, they will find someone else."

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