

the firm's old nemesis, Jim Clark, of Netscape fame (of which more later).

In Europe, most "Internet banks" are in fact subsidiaries of bigger offline institutions. Two of the most interesting are based in Spain. Bankinter, a smallish bank with 380,000 customers and a market capitalisation of around €5 billion, intends to transfer its existing business entirely to the Internet. Already last year a third of its transactions were electronic—17% carried out by pc-based banking, and 15% via the online bank bknet, soon

to be subsumed into ebankinter.com. Another 16% were carried out over the telephone. With Internet usage in Spain still among the lowest in Europe, the bank is probably right to see huge potential for its services.

Nurturing greater international ambitions is BBVA, which in February announced a strategic alliance with Telefonica, the formerly state-owned telecoms monopoly. The two were to increase their existing cross-shareholdings and to co-operate in e-business, mobile-telephone services and payment mechanisms. That entailed Telefonica raising its investment (through Terra, its Internet-service provider) in BBVA's Internet bank, Uno-e. The following month, Uno-e announced a merger with first-e, a Dublin-based bank that began operations in Britain last year. First-e is a subsidiary of enba, an Internet-company incubator, whose imposing list of shareholders include Morgan Stanley Dean Witter, a bulge-bracket investment bank; Intel, of computer-chip fame; Capital Z, an American venture fund; and ccu, a British insurer. At the time of the merger, first-e claimed 110,000 registered users, of whom 50,000 were active.

These numbers must have been disappointing. Like Egg (see box, previous page), first-e offers attractive interest rates on deposits, in its case accrued daily and paid monthly. But unlike Egg, first-e has no British household name behind it. Rather, it acquired its banking licence through Banque d'Escompte, a small one-branch Parisian firm. The European Union's banking "passport" scheme allows it to do business in other EU countries, but as the British press has pointed out, being regulated by the French authorities, first-e is excluded from the ombudsman scheme run by Britain's Financial Services Authority. Unfairly, that makes it look risky in a business where, as first-e's Richard Thackray puts it, "trust and respectability are big issues."

"No bank can be a portal," according to Bo Harald, head of Internet banking at MeritaNordbanken. He rejects the suggestion that MNB, with its much-visited website, might challenge the Yahoos of this world and provide not just financial services on the web, but an entire framework for its customers' Internet life. If Finland's leading Internet bank is

so dismissive of the prospect, it is fair to assume that banks elsewhere will be even less sanguine about assuming a comprehensive non-financial role. One reason for this is the banks' refusal, so far, to embrace "open finance", offering products from other suppliers as well their own.

Passing the portal

But can portals become banks? Obviously they cannot take deposits or lend money. But many in the industry see portals such as NetCenter, Yahoo! and AOL, and online personal-finance sites such as Microsoft's MoneyCentral and Intuit's Quicken, as the biggest long-term threat to the banks. These sites have visitors in their millions, and many of them have established a reputation for reliability.

The ideal would be for an individual to be able to deal with all his finances on one easily accessible site. Bank accounts, insurance policies, share portfolios and tax returns would all be available there, completely up to date, and the user could do whatever he wanted without having to leave the site or go through any additional security firewalls. A customer would have a "universal password" which would give him access to all his online finances. Pursuing this ideal are firms such as Yodlee and Vertical One, known as "aggregators" or, more rudely, screen-scrapers. Yodlee's site offers to set up just such a personal balance sheet. But, like Vertical One, it also licenses its technology to other Internet companies—selling "picks and shovels for the gold-rush", as Vertical One's boss, Gregg Freishtat, puts it. By this month it claimed 110,000 accounts and growth of 10-15% a week. Yodlee has a deal with AltaVista, one of the biggest portals and search engines.

The aggregators have attracted some controversy. To function properly, they require the customer to provide access to all his accounts. Some banks—and others concerned about the effect of the Internet on personal privacy—were uneasy at impersonal strangers browsing through data held the wrong side of their security firewalls. The authorities are taking an interest, too. In February, the OCC, America's main banking regulator, sought comments on a number of electronic-banking issues, such as whether specific new rules were necessary both for bank websites that offered access to non-bank Internet businesses, and for non-bank sites, such as aggregators, that linked to banks.

Perhaps most worrying for the banks, the aggregators also have the capacity to become active deal-seekers, trawling the net for the best available offers. Mr Freishtat denies there is any conflict with the banks, pointing out that his firm is a subsidiary of s1 Corporation, a software firm that works with more than 50 of the world's biggest banks on creating their own "financial portals", and that s1NB, an Internet bank, is a VerticalOne partner. Yodlee's Sukhinder Singh concedes, however, that there is a "chicken and egg" problem in the failure to date of "tier-one players" to offer aggregation. Big financial institutions are understandably reluctant to provide easy access to competitors' products.

More positively, the banks may calculate that people still prefer to deal with a trusted financial institution when it comes to their own money; and that only a minority of web traffic these days is mediated through the big portals. But that is partly be-

