



epocket

**A Bank
Payment Product**



Background	New Payment Product	Operated By Banks	How It Works	Alternatives
-------------------	----------------------------	--------------------------	---------------------	---------------------



Background

Banks have huge stakes in the payments business. However value is migrating away from banks as utilities and other intermediaries move into this business.

ePocket is a solution that returns control of Internet payments back to banks.

A huge majority of Internet users are unwilling to make credit card payments over the Internet. They fear identity theft and fraud losses, and their fear is justified. The incidence of both payment fraud and identity theft, on the Internet, is rising quickly. The U.S. Secret Service states that credit card fraud is the fastest growing crime in America. The U.S. Federal Trade Commission estimates that 9.9 million Americans were victims of identity theft in 2002. Only 2% of credit card transactions are conducted online, yet they represent almost 50% of all credit card fraud.

Nevertheless most Internet users want to make purchases online, if they could ensure their

privacy and eliminate fraud. And naturally Internet merchants want to make sales to all their potential clientele.

Elimination of these security concerns will more than double the online buyer population and the number of payment transactions, and help solidify the bank's relationship with their customers.

Every other payment product available to online consumers requires the disclosure of personal information to make a payment – personal information which, once released, cannot be retracted. As a result many buyers resort to sending money orders or checks to merchants to preserve their privacy.

Many products try to solve this problem. But the cost to consumers and merchants is high. These products are inconvenient to use, consume excessive merchant and consumer time, reduce consumer privacy, and in general defeat the whole premise of buying online.



Background	New Payment Product	Operated By Banks	How It Works	Alternatives
------------	----------------------------	-------------------	--------------	--------------



New Payment Product

ePocket helps your bank solve the privacy problem for your customers while making the buying process easier for the merchant.

The product is easy to use. It is private. By strengthening your Internet banking offering it enhances the loyalty of your consumers.

ePocket payments work just like cash over the Internet. A diagram and brief explanation of how it works appears at the end of this brochure. There are no coins or bills or plastic cards.

ePocket makes it possible to perform payment transactions that cannot be done any other way – providing banks with an entirely new source of payment transaction revenue. The costs associated with this revenue are minimal. High security and simplified operation make

ePocket the best way to *maximize* profits from payments.

ePocket payments, like cash payments, do not involve accounts. This results in substantially lower operating costs, eliminating the costs of identity fraud and the systems to identify and prevent fraud, systems to undo incorrect transactions, and systems to create and send monthly transaction statements.

ePocket enables micro-payments, an untapped \$400 billion market, and a pre-requisite to the success of many Internet merchant business models: selling a song, a picture, or a newspaper article over the Internet. ePocket provides a payment mechanism that is extremely low cost, makes it easy and fast for a consumer to pay, and provides final payment. ePocket enables a bank to capture revenue from this elusive payment segment.



Background	New Payment Product	Operated By Banks	How It Works	Alternatives
------------	---------------------	-------------------	--------------	--------------



Operated by Banks

ePocket is a bank product. Banks deliver the ePocket payment service. There is no ePocket organization between a bank and its customers as there is with most payment systems. The bank maintains and extends its relationship with its merchants and consumers.

One American Bankers Association study indicates that 78% of consumers prefer making payments through their bank account, not using another payment service or account.

Most special-purpose Internet payment products are operated outside the banking system, forcing bank customers to open non-bank accounts with third party organizations in order to perform e-commerce transactions. ePocket enables banks to stop such intermediation dead in its tracks.

ePocket is sold under the bank's own branding. The ePocket software enables a bank to project its brand image right to the consumer's desktop, where it is visible whenever a payment is made.

Each bank decides its own pricing for ePocket payments. Prices can be adjusted to reflect the type of business that a bank has or wishes to attract: e.g. large merchant business, wealth management, large consumer business.

ePocket payments increase the value and usage of existing bank products.

Electronic bill payment services are enhanced by accepting ePocket cash as a new payment method. The result: increased usage of the bill payment service.

ePocket cash can be integrated with lending products. ePocket cash can be issued based on drawing down a line of credit or a loan. This provides a very low cost way to issue funds under a credit facility, and to do so when and as required by the borrower, providing a new level of flexibility and convenience to borrowers and lenders alike.

Because the service is operated by banks, the banks' security and reliability standards are ensured. The operation, and the bank's reputation is not dependent on the efficiency or effectiveness of third parties.

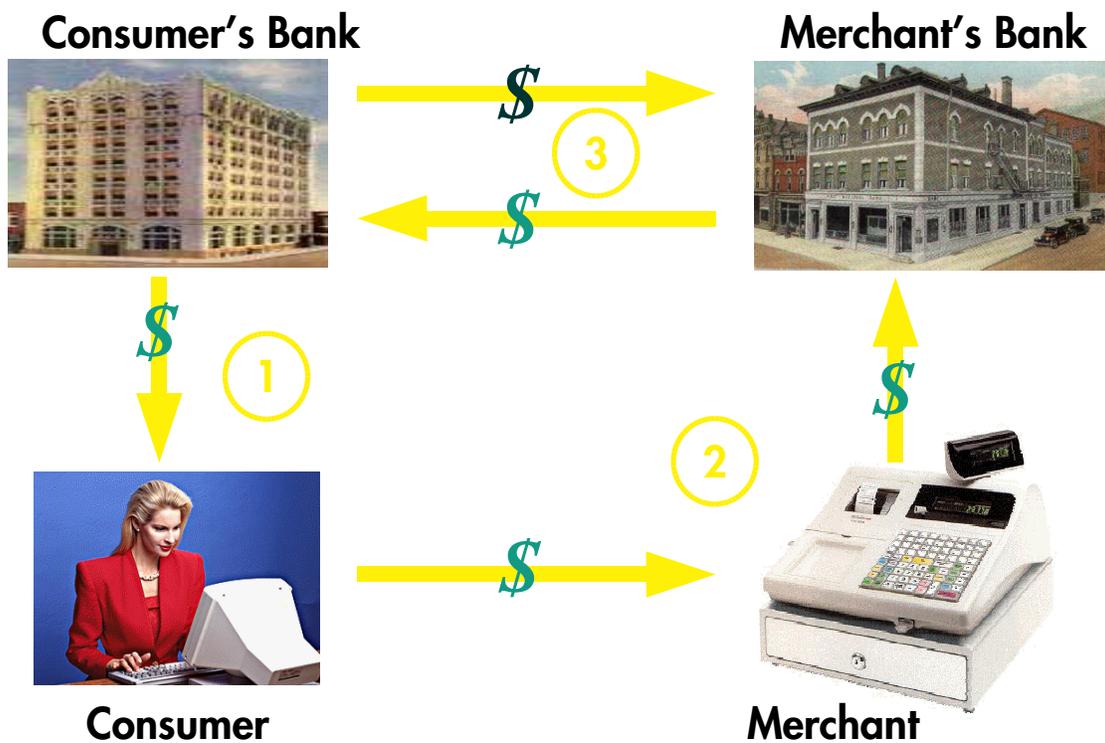
ePocket is a new and highly profitable revenue source for banks. Banks generate revenue from transaction fees, foreign exchange services (ePocket cash can be readily converted), from holding the float for outstanding ePocket cash, and from issuing cash on credit. These are just some of the ways banks earn money from ePocket.



Background	New Payment Product	Operated By Banks	How It Works	Alternatives
------------	---------------------	-------------------	--------------	--------------



How It Works



①	A consumer withdraws electronic cash from her bank account and stores on her computer. The bank moves the funds from the consumer's account into a pool account.
②	The cash is spent by sending it to a merchant. The merchant deposits it into its bank.
③	The merchant's bank validates the money at the time of the deposit. Later, the consumer's bank pays the merchant's bank with funds from the pool account.



Background	New Payment Product	Operated By Banks	How It Works	Alternatives
------------	---------------------	-------------------	--------------	--------------



Alternatives?

<i>Characteristic</i>	ePocket	<i>Credit Card</i>	<i>Debit Card</i>	<i>Bank Account Transfer</i>	<i>Stored Value Account</i>	<i>Bill Aggregation</i>	<i>Electronic Check</i>	<i>Loyalty Points</i>	<i>Prepaid Cards</i>	<i>Smart Card</i>	<i>Digital Certificate</i>
Riskless	yes	no	no	yes	no	no	no	yes	yes	yes	yes
Standard	yes	no	no	no	no	no	no	no	no	no	no
Bank Service	yes	?	yes	yes	no	no	?	no	no	yes	no
Final Payment	yes	no	yes	yes	yes	yes	no	yes	yes	yes	yes
Any Currency	yes	yes	no	no	no	no	no	no	no	no	–
Private	yes	no	no	no	no	no	no	no	yes	?	no
Any Amount	yes	no	no	yes	yes	no	yes	no	no	no	–
Inexpensive	yes	no	?	no	no	no	?	no	no	no	no
Symmetric	yes	no	no	no	no	no	no	no	yes	no	yes
Easy	yes	no	no	no	no	no	no	no	no	no	no
Immediate	yes	no	yes	no	yes	no	no	no	yes	yes	–
Mobile	yes	yes	yes	no	no	no	no	no	no	yes	no

ePocket provides the best possible value to all parties: consumers, merchants, and banks. It allows payments in any direction between consumers, merchants and governments, greatly reducing the costs a bank incurs by operating different payment products for different markets.

Make The Internet Pay

Explore further.

- You will discover that your bank can provide ePocket payments for a fraction of the cost of other payment mechanisms.
- ePocket enables a bank or merchant to issue its own currency: loyalty points specific to one or a group of cooperating organizations.
- ePocket has developed a detailed business model that shows how *your* bank can profitably deliver ePocket payment services to your consumer and corporate customers. Please contact us to discuss it.

Info@ePocket.com

+1 416-506-1001



epocket