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## Gaining currency

Amarjit Sahota's HiFX currency trading company is among the Bay Area innovators pursuing small and mid-sized businesses. In Sahota's case, that means offering companies with \$50 million in revenue the same sort of foreign exchange services that the Fortune 500 expects.

# New money products

## Sellers of financial products take advantage of web possibilities

BY MARK CALVEY

San Francisco Business Times

**T**he Bay Area is home to a number of young companies pursuing innovation in financial services targeting business customers.

Serial entrepreneurs and executives are taking advantage of the Internet to offer a range of new services from microlending to foreign currency trading. The web is allowing a swath of financial services to be delivered more effectively to small, mid-sized and even large companies.

"We tend to overestimate a new technology's impact in the short term and underestimate its impact in the long term," said venture capitalist Joe Schoendorf, a partner at Accel Partners, of the Internet at a recent Churchill Club gathering.

Many of these innovative companies still have a relatively low profile in the region's broader business community. For example, HiFX, based in the United Kingdom with its North American headquarters in San Francisco, maintains its currency trading operations at its Montgomery Street headquarters.



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**"We spend a small fortune on our trading floor,"** where HiFX trades currency for clients that range from \$50 million to \$500 million, says CEO Sahota.

"We spend a small fortune on our trading floor," said Amarjit Sahota, CEO of HiFX. The firm is able to spread those costs over its large client base, allow-

ing its business customers to tap into the expertise and market knowledge of HiFX at a fraction of the cost of doing it in-house.

# INNOVATIONS: Services available for small and big clients



**"Person-to-person lending is the oldest form of credit," says Prosper founder Chris Larsen.**

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The firm targets businesses with annual revenue of \$50 million to \$500 million with a range of services tied to currency risk, Sahota said.

Globalization coupled with the U.S. dollar weakening in recent years has prompted HiFX's 2,500 corporate clients to become more concerned about fluctuating currency valuations affecting their bottom lines.

## Tiny might

While HiFX targets mid-sized companies, several innovators are reaching out to the small end of small business.

Small-business owners seeking relatively small amounts of capital can now turn to San Francisco-based Prosper or Zopa, a U.K. company that will soon open U.S. operations in San Francisco.

"Prosper has defined a process to put together people who have money with people who need money, taking out the middleman -- the bank," said John Hecht, an analyst covering specialty finance for JMP Securities in San Francisco. "It's going to take on a life of its own. Prosper has enormous potential."

Both Prosper and Zopa put lenders and borrowers together.

"Person-to-person lending is the oldest form of credit. But prior to the Internet, this was restricted to people who knew each other well," said Thomas Meyer, an analyst with Deutsche Bank Research.

Prosper was founded by serial entrepreneur Chris Larsen, who previously founded E-Loan in an effort to change the way Americans take out mortgages.

Prosper's business model involves potential borrowers making loan requests, which include entrepreneurs seeking financing through the service. Those entrepreneurs range from a restaurateur seeking a cheaper alternative to vendor financing for a cash-register system to a borrower wanting to establish a bee-keeping business.

## Settlement server

At the other end of the business spectrum, Pleasanton-based Xign is serving some of the nation's largest companies through its global electronic settlement network. The company automates the entire transaction from electronic order delivery to electronic invoice and payment processing. The company recently passed \$100 billion in transactions processed involving its network of more than 40,000 suppliers. Xign's clients include Bristol-Myers Squibb, Honeywell, MetLife, RadioShack and Verizon Wireless.

"The settlement network for business is ready for prime time," Xign President and CEO Tom Glassanos said, citing the growth of the company's supplier network and transaction volume. The supplier network grew by more than 50 percent to more than 42,000.

Invoice volume over Xign's network jumped more than 300 percent last year as the company processed more than \$35 billion in business-to-business transactions last year.

Xign anticipates further growth this year through such services as Xign Discount Manager, which helps companies capture early payment discounts at three times the rate of those customers using Xign's electronic invoice services without Discount Manager.

Xign said a recent survey of its supplier-participants found more than 80 percent are interested in offering early-payment discounts to accelerate payment.

Glassanos said his goal is to "help make electronic settlement networks as compelling to business-to-business commerce as credit card networks are to business-to-consumer commerce."

mcalvey@bizjournals.com / (415) 288-4950 ■