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RSA: Sale Would Not Change Strategy

■ BY DANIEL WOLFE

RSA Security Inc. says its consumer online banking security business would not be changed after the vendor sells itself to the data storage company EMC Corp.

“RSA will continue to build and invest in this business, as both companies believe that the protection of online consumers’ identity is a burgeoning business that is just beginning to take off,” said Art Coviello, RSA’s president and chief executive, said in a presentation to analysts after the deal was announced.

John Worrall, RSA’s senior vice president of marketing, said in an interview Friday that RSA would retain its brand and Mr. Coviello would remain in charge of it. Chris Young, a senior vice president and general manager, would remain in charge of its consumer division.

EMC has told RSA that “there are no plans whatsoever to change our focus on the consumer segment,” Mr. Worrall said. “EMC has a very large customer set in financial services.”

After the market closed Thursday,

EMC said it would buy RSA for \$28 a share, or \$2.1 billion. The seller’s stock RSA closed Thursday at \$22.88 a share but surged 18.4% Friday to close at \$27.10.

The acquisition is expected to close late this quarter or early next quarter.

RSA’s initial approach to securing consumers online was to sell banks passcode-generating tokens similar to those used on corporate networks. A few U.S. financial services companies, like E-Trade Financial Corp., bought the tokens for consumer use, but many were more interested in using software to protect most of their online consumers.

In October the Federal Financial Institutions Examination Council mandated that banks start using Web authentication stronger than a password by the end of 2006. RSA beefed up its offerings by buying two security software developers: Cyota Inc. in December and PassMark Security Inc. in April.

Cyota’s customers included JP Morgan Chase & Co. and Washington

Mutual Inc.; PassMark’s included Bank of America Corp.

Joe Tucci, EMC’s chairman, president, and chief executive, said RSA’s customers should not worry that this plan would change its focus. He said he hopes to use RSA’s technology to improve his company’s data storage products.

Avivah Litan, a vice president and research director at the Stamford, Conn., market research company Gartner Inc., said the deal is “pretty bad news for consumer authentication,” because EMC’s focus is corporate networks.

Even without the EMC deal, RSA is facing trouble, she said. She recently spoke to some Cyota product users who said the quality of Cyota’s customer service dropped after RSA bought it.

Since Cyota caters to some large banking companies, “these are the kinds of clients you don’t want to lose.”

Mr. Worrall said he was not directly involved with Cyota’s service, but “if it needs attention, we’ll give it attention.” ■