

Payments: An Opportunity for Innovation

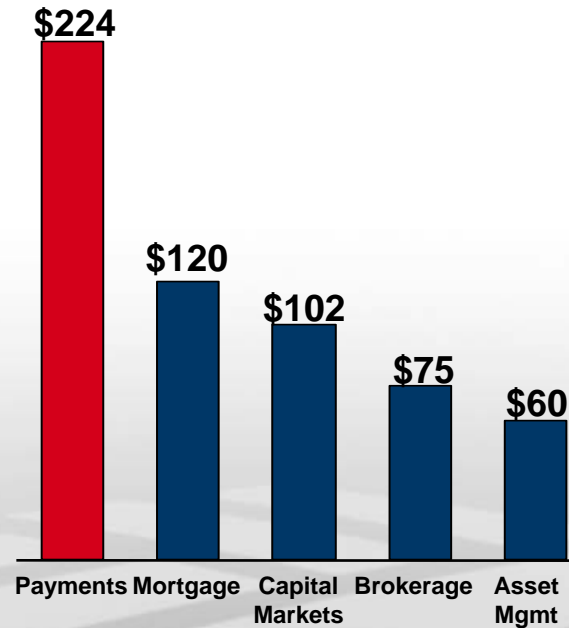
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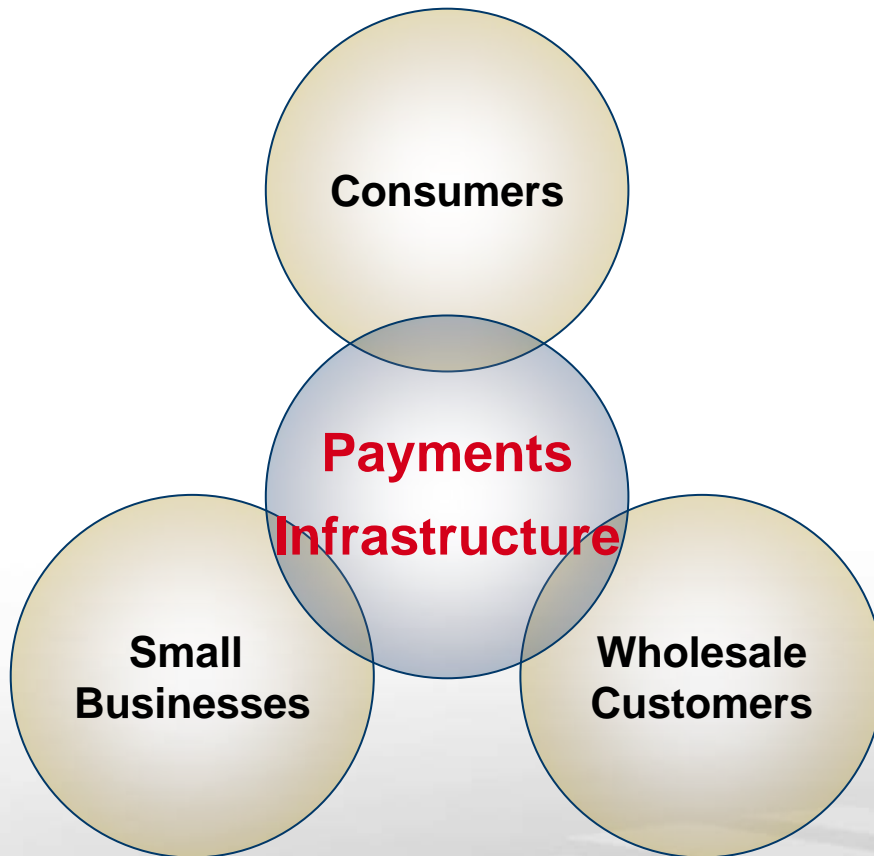
Payments are Big Business for Banks

Payments drive more revenue for banks than any other business

U.S. Banking Market Revenue Pools
2005 Estimates (\$B)



Challenges of Innovation in Payments



- **Costly and fragmented payments infrastructure**
- **Chicken and egg problems can impede scale**
- **Criticality of safety, soundness and security**
- **Existing players face “innovator’s dilemma”**
- **New players find it difficult to build scale**

Non-Banks Role in Payments Innovation

Opportunities

- **Ability to focus on smaller markets**
- **Infrastructure leapfrog potential**
- **Potential for scale in fragmented markets**
- **Less invested in status quo**

Challenges/Risks

- **Unclear regulatory oversight in emerging markets**
- **Potential unintended consequences: risk, fraud, security**
- **Unclear impact to consumers when innovations do not succeed**

Bank of America's Approach to Innovation

Enterprise view of payments provides insight that focuses on the highest impact cost opportunities, revenue opportunities, and product and service innovation

