



A new infrastructure to support 24x7x365 instant payments

In today's digital world, people have everything at their fingertips. They expect to connect with others immediately, place an order at the touch of a button and send and receive money in an instant.

The FedNow Service, a safe and efficient instant payment infrastructure being developed by the Federal Reserve, will enable financial institutions of all sizes to offer customers the ability to send and receive money in near real time, around the clock, 365 days a year. With the FedNow Service, funds will settle between participating financial institutions instantly, which means no buildup of interbank obligations or short-term credit risk. And end users will have access to their money in seconds.

The FedNow Service will provide a springboard for financial institutions to offer innovative instant payment solutions and help them meet the growing demand for these services.

MODERNIZING THE U.S. PAYMENTS INFRASTRUCTURE

The FedNow Service will modernize the U.S. payment infrastructure and provide a range of use cases and benefits to financial institutions, individuals and businesses.



Banks and credit unions

Retain and attract customers by meeting the growing demand for innovative instant payment options.



Individuals

Instantly send and receive money with confidence and reduce the risk of overdraft and late fees.



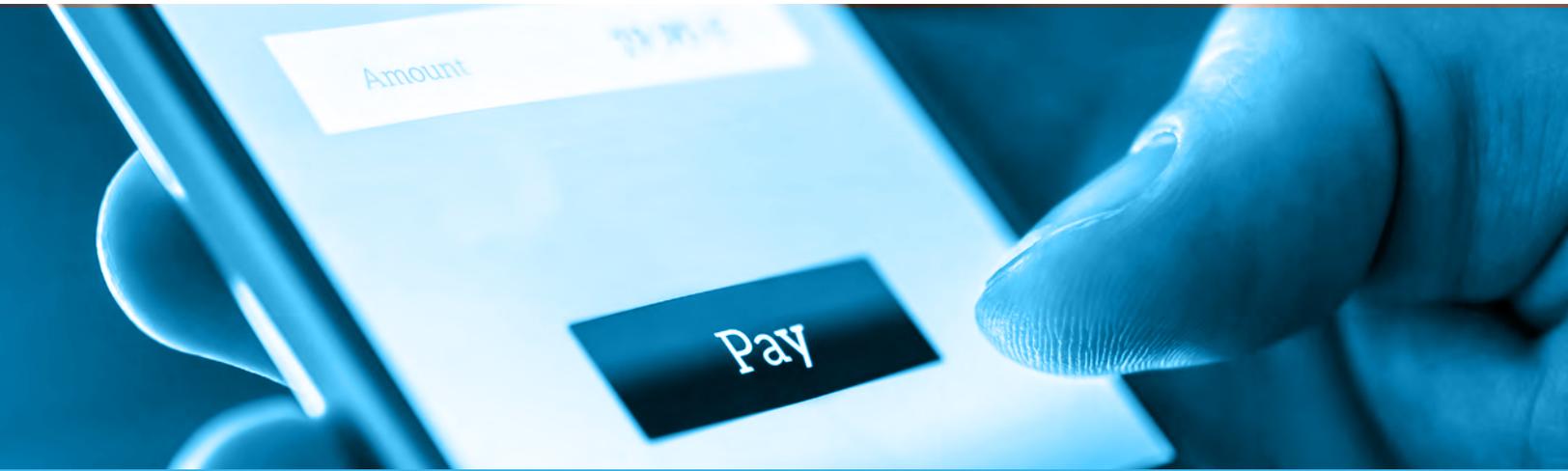
Businesses

Gain better control of cash flow management, improve efficiency of corporate payments and streamline reconciliation processes.

Initial launch

The Federal Reserve plans to launch the FedNow Service as soon as possible, with a current target date of 2023 or 2024. The service will be released in phases, with the initial launch focusing on core capabilities that will meet market needs and help financial institutions transition to a 24x7x365 instant payment service.

The FedNow Service will use widely accepted standards and best practices to promote nationwide reach for instant payments and support interoperability with other instant payment services.



Standard payment flow

The FedNow Service will support credit push transactions. The payment flow is intended to take place within seconds and will follow these steps:

1. Sender (individual or business) initiates a payment by sending a payment message to its financial institution using an end-user interface outside the FedNow Service.
2. The sender's financial institution submits a payment message to the FedNow Service.
3. The FedNow Service validates the payment message, for example, by verifying that the message meets message format specifications.
4. The FedNow Service sends the contents of the payment message to the receiver's financial institution to seek confirmation that the receiver's financial institution intends to accept the payment message.
5. The receiver's financial institution sends a positive response to the FedNow Service, confirming that it intends to accept the payment message.
6. The FedNow Service debits and credits the designated master accounts of the sender's and receiver's financial institutions (or their correspondent financial institutions), respectively.
7. The FedNow Service sends a payment message forward to the receiver's financial institution with an advice of credit and in parallel sends an acknowledgement to the sender's financial institution, notifying it that settlement is complete.
8. Outside of the FedNow Service, the receiver's financial institution credits the receiver's account.*

**At this stage in the flow, the receiver's financial institution will have the option of sending a message through the FedNow Service to the sender's financial institution indicating that the payment has been posted to the receiver's account.*



Baseline features and functionality available at launch

The FedNow Service will support the following at initial launch, while ensuring high levels of security and resiliency.

FEATURE	DESCRIPTION	BENEFIT
Fraud prevention tools	The FedNow Service will include fraud prevention tools, such as the ability to set lower transaction value limits and specify conditions under which transactions would be rejected.	Aids participating financial institutions in mitigating fraud risk.
Correspondent/ respondent relationships	Participating financial institutions will be able to settle payments through the FedNow Service in the master account of a correspondent bank, and correspondents will be able to receive transaction-level and summary reports for respondents to which they provide services.	Facilitates access to the FedNow Service.
Receive-only participation	Participating financial institutions will have the option of enrolling in the FedNow Service as a “receive-only” participant. These participants will not be required to have the ability to originate payments through the FedNow Service but can still receive instant payments.	Increases the accessibility of the FedNow Service and supports nationwide adoption of instant payments.
ISO® 20022 message standard	Payment messages in the FedNow Service will use the widely accepted ISO 20022 standard, which will provide a common foundation for exchanging payment messages and support the exchange of rich data (e.g., remittance information).	Supports a range of use cases and value-added services and removes barriers to interoperability.
Transaction value limit	A transaction limit consistent with market practices will be established for the FedNow Service at the time of launch. Participating financial institutions will be able to establish lower transaction value limits initiated from their customer base.	Supports a variety of retail payment types while limiting the size of potential fraudulent transactions.
Business day	The FedNow Service will have a 24-hour business day each day of the week, with opening and closing times that align with the business day of the Fedwire® Funds Service.	Maintains consistency with existing Federal Reserve Bank Services for managing master accounts.
Seven-day accounting	The Federal Reserve will adopt a seven-day accounting regime for the FedNow Service, but banks are not required to do so. The FedNow Service will provide reports that support reconciliation and other processes that are in line with the internal accounting regime of participating banks.	Supports participating financial institutions knowing their funds position in a 24x7x365 operation.
Reports	The FedNow Service will provide reports to participating financial institutions and their correspondents to support transaction monitoring, account balance inquiries and reconciliation.	Facilitates participants’ effective management and monitoring of their FedNow Service activity.
Liquidity and credit	Intraday credit will be provided for participants in the FedNow Service during its business day under the same terms and conditions as are available for other Federal Reserve services.	Provides ability for financial institutions to manage their account balances at the Reserve Banks.
Liquidity Management Tool (LMT)	The FedNow LMT will enable participants to transfer funds between one another to support liquidity needs related to payment activity in the FedNow Service and in private-sector instant payment services backed by joint accounts at a Reserve Bank by enabling transfers between the master accounts of such participants and their joint account.	Allows for efficient liquidity management in a 24x7x365 environment.
Network access	Participating financial institutions will access the FedNow Service through the FedLine® network, which will be enhanced to support the service’s 24x7x365 processing.	Leverages the existing secure channel and streamlines onboarding processes.
Request for payment	Request-for-payment functionality will allow a potential receiver, through an end-user service, to prompt a sender to initiate a standard credit transfer through the FedNow Service.	Enables a variety of transactions and supports widespread use of instant payments.



Additional features

Following the initial launch, the Reserve Banks intend to offer additional fraud prevention tools, error resolution and case management features through the FedNow Service and will continue to explore other functionality, including support for person-to-person payments that use the alias (email or phone number) of a receiver.

Get ready for the FedNow Service

To stay informed and take steps now to prepare for the launch of the FedNow Service, visit FedNow.org, where you'll find more details and can sign up for the FedNow Community to receive updates and provide input on the solution.

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