FedNowSM Service

A NEW INFRASTRUCTURE TO SUPPORT 24x7x365 INSTANT PAYMENTS
The Federal Reserve is developing the FedNow Service to be a safe and efficient instant payment infrastructure that will operate around the clock, 365 days a year. It will enable financial institutions of all sizes to offer customers the ability to send and receive money within seconds, providing receivers immediate access to funds. Through the service, funds will settle between participating financial institutions instantly, which means no buildup of interbank obligations or short-term credit risk.

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

MODERNIZING THE U.S. PAYMENT 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.

Financial institutions: Remain competitive, create new products and meet the needs of customers
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 FedNow Service will debut in 2023, with additional functionality to come in future phases. The initial launch will focus on core capabilities and certain value-added features that will meet market needs and help FIs transition to a 24x7x365 instant payment service.

The FedNow Service will use widely accepted ISO® 20022 message standards and best practices to promote nationwide reach for instant payments and support routing interoperability with other instant payment services. At initial launch, the service will support the account-to-account and consumer-to-business bill pay use cases; however, the service is use-case agnostic and will be able to support a wide variety of use cases with innovation by the industry. Future releases of the service may offer additional features/functionality to enable FIs to offer additional use cases to their clients.
## KEY FEATURES AND FUNCTIONALITY AVAILABLE AT LAUNCH

<table>
<thead>
<tr>
<th>FEATURE</th>
<th>DESCRIPTION</th>
<th>BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Settlement flexibility for correspondents/respondents</td>
<td>Participants will settle payments through the FedNow Service in the master account of a correspondent FI. Correspondents will be able to receive real-time notifications when debits or credits are settled in their account as well as reporting for their respondent’s activity.</td>
<td>Facilitates access to the FedNow Service for eligible FIs that wish to settle using a correspondent or may not have a master account.</td>
</tr>
<tr>
<td>Settlement in FI’s master account</td>
<td>Settlement occurs in the participant’s master account and does not require any prefunding. Notifications (e.g., advices and acknowledgments) are provided to the participants in real time.</td>
<td>Provides assurance that all payments are complete as final and irrevocable.</td>
</tr>
<tr>
<td>Liquidity management transfers</td>
<td>Transfers to support liquidity needs can be enabled between two FedNow participants or between a participant’s master account and a joint account that backs another private-sector instant payment service. Limits for liquidity transfers will exceed the customer credit transfer limit in order for participants to maintain adequate funds in their accounts at all times.</td>
<td>Enables efficient liquidity management in a 24x7x365 operating environment.</td>
</tr>
<tr>
<td>Transaction-level reporting</td>
<td>Participants and their correspondents can receive reports for transaction monitoring, account balance inquiries and reconciliation. These can include account activity totals, account balance and account activity details reports.</td>
<td>Facilitates participants’ management and monitoring of their FedNow Service activity.</td>
</tr>
<tr>
<td>Fraud mitigation tools</td>
<td>Available optional tools will include negative lists, limited reporting functionality and the ability to set lower credit transfer limits.</td>
<td>Aids participants in preventing unauthorized transactions and minimizing fraudulent activity.</td>
</tr>
<tr>
<td>Maximum transaction value limit</td>
<td>At initial release, credit push transactions will have a transaction limit consistent with market practices. Participants can opt to establish lower transaction value limits based on their business needs.</td>
<td>Supports a variety of retail payment types while limiting the size of potentially fraudulent transactions.</td>
</tr>
<tr>
<td>Request for payment (RFP)</td>
<td>FIs, businesses and individuals will be able to request a payment from a recipient.</td>
<td>Enables a variety of transactions and supports widespread use of instant payments, such as for bill payment.</td>
</tr>
<tr>
<td>Support for exception processes</td>
<td>The service will facilitate end-to-end nonvalue ISO 20022 messages (such as request for return, request for information and request for status) to support exception and return process management.</td>
<td>Communicates the status of any exceptions or returns that occur throughout a transaction flow.</td>
</tr>
<tr>
<td>Access through FedLine® Solutions</td>
<td>Participants will access the FedNow Service through FedLine Solutions, which will be enhanced to support the service’s 24x7x365 processing.</td>
<td>Leverages an existing secure network and streamlines onboarding processes.</td>
</tr>
<tr>
<td>FedNow interface on FedLine Solutions</td>
<td>Through the user interface, participants will be able to configure user profiles, broadcast participant availability and view balance information on a 24x7x365 basis.</td>
<td>Provides an enhanced experience for participants to support instant payments in real time.</td>
</tr>
</tbody>
</table>
PARTICIPATION TYPES
The FedNow Service will offer the flexibility to choose almost any combination of participation types within the solution to meet business requirements.

Send and receive customer transfers: FIs (or providers on their behalf) can send and receive credit transfers and RFPs as well as return customer payment messages.

Receive customer credit transfers: FIs (or providers on their behalf) can choose to be a “receive-only” participant, which means they can still initiate payment returns upon request from a sender, but they cannot send RFPs.

FI TRANSFERS
The FedNow Service will also support transfers between participating FIs, either those acting as correspondents or those supporting liquidity needs.

Settlement services: FIs (or providers on their behalf) may settle transactions in the account of their respondents. This functionality is enabled at the RTN level, permitting FIs that settle payments on behalf of other institutions to support multiple participation types as needed.

Liquidity management transfers: FIs (or providers on their behalf) can enable credit transfers in support of instant payment liquidity needs. These transfers can occur between the master accounts of two FedNow participants or between a participant’s master account and a joint account used by another private-sector instant payment service.
STANDARD PAYMENT FLOW

The FedNow Service will support credit push transactions.* These payment flow steps are intended to take place within seconds:

1. A sender (i.e., an individual or business) initiates a payment by sending a payment message to its FI through an end-user interface outside the FedNow Service. The sender’s FI is responsible for screening the payment according to its internal processes and requirements.

2. The sender’s FI, or its service provider, submits a payment message to the FedNow Service.

3. The FedNow Service validates the payment message, for example, by verifying that it meets message format specifications.

4. The FedNow Service sends the contents of the payment message to the receiver’s FI to seek confirmation that it intends to accept the payment message. At this point, the receiver’s FI will have the opportunity to confirm, among other things, that it maintains the specified account.

5. The receiver’s FI sends a positive response to the FedNow Service, confirming that it intends to accept the payment message. **NOTE:** Steps 4 and 5 are intended to reduce the number of misdirected payments and resulting exception cases that can occur in high-volume systems.

6. The FedNow Service debits and credits the designated master accounts of the sender’s and receiver’s FI (or those of their correspondents), respectively.

7. The FedNow Service sends a payment message forward to the receiver’s FI with an advice of credit and sends an acknowledgement to the sender’s FI that settlement is complete.

8. Outside of the FedNow Service, the receiver’s FI credits the receiver’s account.* The receiver’s FI makes funds available to the receiver immediately after step 7. This crediting to the receiver’s account as well as the debiting of the sender’s account by their respective financial institutions happens outside the FedNow Service.*

*The FedNow Service processes payments around the clock, every day of the year. However, for accounting and reporting purposes, the FedNow cycle date will differ from the calendar date for a period of time (from close until midnight) because it will align with the Fedwire® Funds Service business day, which generally has a closing time of 7:00:59 p.m. ET. If the Fedwire Funds Service business day is extended, the FedNow cycle date will extend along with it. For consistency, the FedNow Service will align to the same timeframe for weekends and holidays.

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 can find more details and sign up for the FedNow Community to receive updates and provide input.