



**Federal Reserve Banks
Operating Circular No. 8**

FUNDS TRANSFERS THROUGH THE FEDNOW® SERVICE

Effective April 1, 2026

FEDERAL RESERVE BANKS OPERATING CIRCULAR NO. 8

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1.0 SCOPE

- 1.1 This Operating Circular 8, Operating Circular 1, and Operating Circular 5, along with any other terms agreed to by the participant, set forth the terms under which the Reserve Banks provide the FedNow® Service identified in Regulation J. Reserve Bank operating circulars governing the FedNow Service are issued in conformity with section 210.40(c) of Regulation J and are operating circulars referred to in section 4A-107 of Article 4A of the Uniform Commercial Code as set forth in Appendix A to Regulation J. Capitalized terms are defined in section 2.
- 1.2 Each party sending a payment order or receiving an Advice of Credit through the FedNow Service, maintaining a Settlement Account, or otherwise using the FedNow Service agrees to the provisions of the Reserve Banks' Operating Circular 5 and this operating circular, as amended from time to time. Operating Circular 5 and this operating circular are binding on other parties to a funds transfer any part of which is carried out through the FedNow Service to the same extent that Regulation J is binding on those parties.
- 1.3 Each Reserve Bank has issued an Operating Circular 8 identical to this one.

2.0 DEFINITIONS

- 2.1 Unless otherwise stated in this operating circular, a term defined in Subpart C to Regulation J, including a term defined in Article 4A to the extent consistent with Regulation J, has the same meaning in this operating circular.
- 2.2 **Accept Response Message** means a Message response by a FedNow Receiver to a Request for Confirmation that indicates the FedNow Receiver's intention to accept a related payment order.
- 2.3 **Acknowledgment** means a Message sent to a FedNow Participant that indicates that the Reserve Bank on whose books the FedNow Participant's Master Account is maintained or the FedNow Participant's Administrative Reserve Bank has accepted a Message from the FedNow Participant.
- 2.4 **Administrative Reserve Bank** means the Reserve Bank in whose Federal Reserve district an entity is located, as determined under the procedure described in 12 CFR Part 204, even if the entity is not otherwise subject to that chapter, or if the entity maintains an account on the books of a different Reserve Bank, the Reserve Bank at which the entity maintains an account.
- 2.5 **Advice of Credit** means a Message sent to a FedNow Participant that advises the FedNow Participant of a credit to its Settlement Account. The Message may be either a payment order or a notice of the credit, sent in accordance with section 210.46(a) or 210.46(b) of Regulation J, respectively.
- 2.6 **Appropriate Reserve Bank Staff** means Reserve Bank staff identified by the Reserve Banks as the staff with which the FedNow Participant should communicate on particular matters related to the FedNow Service.
- 2.7 **Article 4A** means Article 4A of the Uniform Commercial Code as set forth in Appendix A of Regulation J. It includes provisions of Article 1 referred to in Article 4A as approved from time to time by the Uniform Law Commission and the American Law Institute.

- 2.8 Accept Without Posting or ACWP Response Message** means a Message response by a FedNow Receiver to a Request for Confirmation that indicates the FedNow Receiver's present intention to receive a related payment order without accepting it or rejecting it.
- 2.9 ACWP Target Deadline** means midnight eastern time of the next calendar day that is neither a weekend day or holiday observed by the FedNow Participant that follows the FedNow Service Funds Transfer Business Day during which a FedNow Receiver sends an ACWP Response Message.
- 2.10 Confirmation of Posting** means a Message sent by a FedNow Receiver through the FedNow Service to the FedNow Sender indicating that the FedNow Receiver has made funds available to its beneficiary after accepting a payment order.
- 2.11 Correspondent** means a Financial Institution that maintains a Master Account with a Reserve Bank and who has agreed to maintain a Settlement Account for another FedNow Participant.
- 2.12 Cutoff Time** means the time set forth in the FedNow Service Schedule at and after which a Reserve Bank may treat a Message it received as received on the next FedNow Service Funds Transfer Business Day.
- 2.13 Electronic Connection** means an "Electronic Connection" as defined in the Reserve Banks' Operating Circular 5.
- 2.14 Excess Balance Account** means an excess balance account as defined in 12 CFR Part 204.
- 2.15 FedNow Confidential Information** means all information, provided in writing, electronically or orally, which is designated by the Reserve Banks as "Confidential."
- 2.16 FedNow Participant** means a Financial Institution authorized by a Reserve Bank to send, receive, or settle Messages through the FedNow Service.
- 2.17 FedNow Receiver** means a FedNow Participant that receives a payment order or Request for Confirmation through the FedNow Service.
- 2.18 FedNow Sender** means a FedNow Participant that sends a payment order through the FedNow Service.
- 2.19 FedNow Service Funds Transfer Business Day** means the funds-transfer business day for the FedNow Service as set forth in the FedNow Service Schedule.
- 2.20 FedNow Service Schedule** means the schedule published by the Reserve Banks on the FRBservices.org® website prescribing (i) the FedNow Service Funds Transfer Business Day, (ii) any Cutoff Times, and (iii) other related processing information.
- 2.21 Financial Institution** means a "Financial Institution" as defined in the Reserve Banks' Operating Circular 1.
- 2.22 Funds Schedule** means the "Funds Schedule" as defined in the Reserve Banks' Operating Circular 6.
- 2.23 Instant Payment Message** means a payment order sent or received by a FedNow Participant other than payment orders that are LMT Payment Messages.

- 2.24 Joint Account** means an account at a Reserve Bank where the rights and liabilities are shared among multiple account holders that are eligible to open an account with a Reserve Bank.
- 2.25 Liquidity Management Transfer or LMT** means a transfer through the FedNow Service that is used to transfer funds between Settlement Accounts or to and from an Excess Balance Account or a joint account that backs a private sector instant payment system, as further prescribed in section 9.7.1.
- 2.26 LMT Payment Message** means a payment order sent or received by a FedNow Participant instructing a Reserve Bank to effect a Liquidity Management Transfer.
- 2.27 Master Account** means a “Master Account” (as defined in the Reserve Banks’ Operating Circular 1).
- 2.28 Message** means any message (whether a value or nonvalue message), notice, or other communication sent, received, processed, or otherwise transmitted through the FedNow Service. A Message includes any Advice of Credit (including a payment order), Acknowledgment, Rejection, and Nonvalue Message. Messages are further described in the FedNow Service’s operating procedures and technical specifications.
- 2.29 Nonvalue Message** means any Message that is not a payment order or does not generate any accounting entry by the FedNow Service on the books of any Reserve Bank.
- 2.30 Primary Service Provider** means a Service Provider that is a Financial Institution as set forth in section 15.6 of this operating circular.
- 2.31 Regulation J** means Regulation J issued by the Board of Governors of the Federal Reserve System (12 CFR part 210).
- 2.32 Rejection** means a Message sent to a FedNow Sender that indicates that its Administrative Reserve Bank has rejected a Message, or a Message to a FedNow Receiver who received a Request for Confirmation that indicates that the Administrative Reserve Bank for the FedNow Sender has rejected the Message.
- 2.33 Reject Response Message** means a Message response by a FedNow Receiver to a Request for Confirmation that indicates the FedNow Receiver’s intention to reject a related payment order.
- 2.34 Request for Confirmation** means a Message sent by a Reserve Bank to a FedNow Receiver that contains the contents of an Instant Payment Message sent through the service, and which the Reserve Bank sends to a FedNow Receiver so that FedNow Receiver may indicate whether it intends to accept the related Instant Payment Message.
- 2.35 Reserve Bank** means one of the 12 Federal Reserve Banks.
- 2.36 Respondent** means a Financial Institution that agrees to use the Settlement Account of Correspondent to settle FedNow Service transactions.
- 2.37 Secondary Service Provider** means a Service Provider that maintains the Electronic Connection in accordance with section 15.6 of this operating circular.

- 2.38 Service Provider** means an agent of a FedNow Participant authorized by the FedNow Participant to do one or more of the following:
- (a) initiate, transmit, or receive Messages on behalf of that FedNow Participant;
 - (b) operate or otherwise manage the Electronic Connection used to send or receive Messages on behalf of that FedNow Participant;
 - (c) select the security procedure, profile settings, or processing options on behalf of that FedNow Participant; or
 - (d) obtain access to information related to the FedNow Participant through the FedNow Service.
- 2.39 Settlement Account** means a Master Account at a Reserve Bank that a FedNow Participant uses to settle obligations that arise in connection with the FedNow Service. A Settlement Account may be a “sender’s settlement account,” a “receiving bank’s settlement account,” or a “beneficiary’s settlement account” as those terms are used in Regulation J, and it includes a Correspondent’s Master Account used by another FedNow Participant.
- 2.40 Standard Business Day** means the Reserve Banks’ core operating hours during each weekday other than a Reserve Bank holiday.

3.0 GENERAL OBLIGATIONS

- 3.1** Each FedNow Participant and Service Provider, if any, is required to follow the FedNow Service’s operating procedures and technical specifications, which the Reserve Banks may issue and amend from time to time. Among other things, these operating procedures and technical specifications may further define features of the FedNow Service and prescribe actions FedNow Participants and Service Providers, if any, must take in using those features. The Reserve Banks are not liable for any loss if a FedNow Participant or its Service Provider, if any, does not follow the FedNow Service’s operating procedures and technical specifications.
- 3.2** As prescribed in the FedNow Service’s operating procedures, each FedNow Participant shall establish, including through its Service Provider, if any:
- 3.2.1** a participant profile to select the Message types a FedNow Participant may send and receive and the related actions the FedNow Participant may perform;
 - 3.2.2** processing options available in the FedNow Service that are best suited, in the FedNow Participant’s judgment, to its instant payments business and risk tolerance; and
 - 3.2.3** roles for providing technical access to the FedNow Service, which include, but are not limited to, roles for maintaining an Electronic Connection, maintaining endpoints for sending and receiving Messages, and establishing profiles and processing options.

FedNow Participants are not required to select a profile that enables the use of all Message types and processing options. The Reserve Banks will not make a feature of the FedNow Service available to a FedNow Participant unless the FedNow Participant enables the feature consistent with its choice of profile and processing options. Among other choices, a FedNow Participant that sends or receives payment orders through the FedNow Service may choose to handle one or both of Instant Payment Messages and LMT Payment Messages, and a

Correspondent may choose not to send or receive payment orders or other Messages through the FedNow Service.

- 3.3** The Reserve Banks may establish certain default profiles and processing options. Each FedNow Participant, including through its Service Provider, if any, shall review and determine whether any default profiles or processing options are appropriate, and if configurable, shall modify them as necessary.
- 3.4** The Reserve Banks anticipate that each FedNow Participant will need to change its profile settings and processing options from time to time based on its instant payments business and risk tolerance. A FedNow Participant that wishes to modify its profile or processing options must do so in accordance with the FedNow Service's operating procedures. The Reserve Banks are not responsible for selecting a FedNow Participant's profile or monitoring how a FedNow Participant uses, fails to use, or modifies processing options that are available to it in the FedNow Service. The Reserve Banks are not liable for any loss arising from the FedNow Participant's actions or lack of actions related to its profile settings and processing options.
- 3.5** Consistent with the requirements set forth in the Reserve Banks' Operating Circular 5, each FedNow Participant and its Service Provider, if any, agree that any of the features of the FedNow Service, including but not limited to profile setting and processing options shall not relieve the FedNow Participant or its Service Provider, if any, of obligations and responsibilities to comply with any requirements under applicable law. Moreover, the availability of these features does not replace the independent judgment of a FedNow Participant or its Service Provider from adopting security and other risk mitigants in managing risks associated with using the FedNow Service, including risk of fraud, unauthorized access, or other unauthorized use.
- 3.6** Each FedNow Participant must have staff with the appropriate access roles available to enable or modify the FedNow Participant's use of the FedNow Service, including profile settings, processing options, and messaging and other activities within the FedNow Service. The Reserve Banks are not liable for any loss arising from the FedNow Participant's failure to assign appropriate staff to perform the actions required to use the FedNow Service.
- 3.7** In addition to the confidentiality requirements set forth in the Reserve Banks' Operating Circular 5, each FedNow Participant and its Service Provider, if any, agree to take all reasonable measures to protect and secure the secrecy of and affirmatively avoid unauthorized disclosure and use of FedNow Confidential Information. Without limiting the foregoing, each FedNow Participant and its Service Provider, if any, shall protect the FedNow Confidential Information with at least the same degree of care that the FedNow Participant and its Service Provider, if any, uses to protect its own highly confidential information and comply with all handling instructions that are provided with the FedNow Confidential Information. Each FedNow Participant and its Service Provider, if any, are responsible for destroying or returning all FedNow Confidential Information to the Reserve Banks upon the request of the Reserve Banks or when the FedNow Confidential Information is no longer needed.
- 3.8** Each FedNow Participant and its Service Provider, if any, shall disclose FedNow Confidential Information to their employees or third parties only on a "need to know" basis. The FedNow Participant and its Service Provider, if any, must take all necessary steps to enforce the obligations of sections 3.7 through 3.9 with their employees. Before disclosure to any third party, the FedNow Participant and its Service Provider, if any, must have a written agreement with such party sufficient to require that party to treat the FedNow Confidential Information in accordance with sections 3.7 through 3.9. Unauthorized disclosure of FedNow Confidential

Information likely would cause a Reserve Bank immediate and irreparable damage for which there may be no adequate remedy at law. Each FedNow Participant and its Service Provider, if any, are liable for any unauthorized disclosure of FedNow Confidential Information by any of their employees or third parties to whom they have disclosed FedNow Confidential Information.

- 3.9** In the event the FedNow Participant or its Service Provider, if any, become aware of any suspected or confirmed unauthorized disclosure or use of the FedNow Confidential Information, the FedNow Participant or Service Provider must immediately notify the Support Center by telephone at (833) 377-7827 or (833) FRS-SVCS (377-7827), with written confirmation via email at ccc.bankservices@kc.frb.org of the suspected or confirmed unauthorized disclosure or use, and must take all reasonable efforts necessary to prevent further unauthorized disclosure or use.

4.0 MESSAGE FORMAT; ROUTING NUMBERS; ACCOUNTS

- 4.1** A Message, including a payment order, must be in the medium and format the Reserve Banks prescribe for the particular Message type. A Reserve Bank will not act on information in a Message other than information required by technical specifications, including the Reserve Bank format specifications, and necessary for Reserve Bank processing. As prescribed in Regulation J, a sender shall not send a payment order to a Reserve Bank that requires the Reserve Bank to send a payment order to an intermediary bank other than a Reserve Bank.
- 4.2** Unless otherwise agreed by the Administrative Reserve Bank, a FedNow Participant may only send a payment order that instructs a Reserve Bank to pay another FedNow Participant if the payment order identifies such other FedNow Participant as the FedNow Receiver of the payment order in accordance with the Reserve Banks' message format specifications.
- 4.3** The Reserve Banks are not liable for any loss relating to the accuracy of a routing number contained in or verbally supplied from a publication, list or automated file issued or maintained by a Reserve Bank if the routing number becomes inaccurate after the effective date of the publication, list, or automated file.
- 4.4** The Reserve Banks are not liable for any loss relating to the accuracy of information in Messages sent through the FedNow Service that is based on information provided by FedNow Participants.
- 4.5** Information contained in Messages must not infringe on any intellectual property or other right of any person or entity. Messages must not contain any offensive or threatening content or defame, threaten, harass, or invade the privacy of any person or entity.
- 4.6** Under certain circumstances a FedNow Participant may have multiple Master Accounts at its Administrative Reserve Bank and/or one or more Master Accounts at Reserve Banks other than its Administrative Reserve Bank. A FedNow Participant also may settle funds transfers through the FedNow Service using the Master Account of another FedNow Participant. During any period when a FedNow Participant is authorized to maintain multiple Master Accounts or use the Master Account of another FedNow Participant, any debit or credit made pursuant to this operating circular will be made to the Master Account designated as the Settlement Account for the identifying number used in the payment order.

5.0 ELIGIBILITY AND LOCATION OF FEDNOW PARTICIPANTS

- 5.1** FedNow Participants include Financial Institutions eligible under applicable law to become an “Account Holder” as defined in the Reserve Banks’ Operating Circular 1. Eligibility to become a FedNow Participant is further limited by Federal Reserve policies and the Administrative Reserve Bank’s discretion in providing access to the FedNow Service.
- 5.2** For purposes of Regulation J, Article 4A, and this operating circular, an identifying number of a branch of a bank that is a FedNow Participant shall be deemed to be the identifying number of the FedNow Participant. A Reserve Bank that accepts a payment order that contains an identifying number of a branch of a Financial Institution that is a FedNow Participant complies with the sender’s payment order when it sends a conforming payment order identifying the FedNow Participant or credits the Settlement Account of the FedNow Participant.

6.0 ROLES OF THE RESERVE BANKS INVOLVED IN A FUNDS TRANSFER THROUGH THE FEDNOW SERVICE

- 6.1** For purposes of Regulation J, Article 4A, and this operating circular, when a FedNow Participant sends a payment order over the FedNow Service, the FedNow Participant is deemed to have sent the payment order to the Administrative Reserve Bank for the FedNow Participant regardless of which Reserve Bank operates the Electronic Connection or maintains the Settlement Account used by the FedNow Participant.
- 6.2** For purposes of Regulation J, Article 4A, and this operating circular, when a FedNow Participant receives an Advice of Credit over the FedNow Service, the FedNow Participant is deemed to have received the Advice of Credit from the Administrative Reserve Bank for the FedNow Participant regardless of which Reserve Bank operates the Electronic Connection or maintains the Settlement Account used by the FedNow Participant.
- 6.3** A Reserve Bank that is not the FedNow Sender’s Administrative Reserve Bank or the FedNow Receiver’s Administrative Reserve Bank is not a party to the funds transfer in any way, including as an intermediary bank.
- 6.4** An Administrative Reserve Bank may instruct any other Reserve Bank concerning the other Reserve Bank’s handling or settlement of a payment order for purposes of managing the Administrative Reserve Bank’s risk.

7.0 SETTLEMENT

- 7.1** Settlement through the FedNow Service is final at the earlier of the time the FedNow Service records debits and credits in connection with a payment order sent through the FedNow Service and the FedNow Service sends an Advice of Credit to the FedNow Receiver. Settlement through the FedNow Service will be final regardless of when entries are reflected in other Reserve Bank systems and whether the FedNow Participant is able to view the entries or balance changes in its Settlement Account.
- 7.2** A FedNow Participant authorizes its Administrative Reserve Bank to settle any obligations between the FedNow Participant and its Administrative Reserve Bank that arise in connection

with the FedNow Participant's use of the FedNow Service by debiting and crediting, or causing another Reserve Bank to debit and credit, the FedNow Participant's Settlement Account. A Correspondent who agrees to maintain a Settlement Account for a Respondent authorizes its Administrative Reserve Bank to settle obligations owed to or by that Respondent by debiting or crediting the Correspondent's Master Account.

- 7.3** Each FedNow Participant must designate a Settlement Account. A FedNow Participant that maintains a Master Account designates its own Master Account as its Settlement Account unless the FedNow Participant designates a Settlement Account maintained by a Correspondent and the designation is and remains effective.
- 7.4** If a FedNow Participant designates a Settlement Account maintained by a Correspondent, the Correspondent must agree to that designation. If the Settlement Account maintained by a Correspondent is on the books of a Reserve Bank other than the FedNow Participant's Administrative Reserve Bank, that Reserve Bank may object to the designation. Each Respondent authorizes the Reserve Banks to provide the Correspondent with information about the Respondent related to its use of the FedNow Service, including individual transactional details and reports generated by the FedNow Service.
- 7.5** A FedNow Participant that seeks to supplement a Correspondent relationship to settle certain limited activities will be required to agree to supplemental terms and conditions prior to the use of the supplemental Correspondent. Use of an additional Correspondent does not relieve any other Correspondent that settles the FedNow Participant's transactions from any of the obligations set forth in any Reserve Bank operating circulars.
- 7.6** A Correspondent who maintains a Settlement Account and its Administrative Reserve Bank do not become parties to a funds transfer sent through the FedNow Service if the Correspondent's role is limited to one or both of settling obligations for another FedNow Participant and acting as a Service Provider.
- 7.7** A FedNow Participant remains responsible to its Administrative Reserve Bank for all obligations incurred in connection with using the FedNow Service even if it has designated a Settlement Account maintained by a Correspondent. A Reserve Bank may, in its discretion and without prior notice, recover an amount owed to it by a FedNow Participant by debiting the FedNow Participant's Master Account, by causing another Reserve Banks to effect a debit to the FedNow Participant's Master Account, or by any other means. This action to recover an amount includes any instance in which a Correspondent did not settle in actually and finally collected funds.
- 7.8** A FedNow Participant maintaining a Settlement Account is required to maintain actually and collected funds in that account to settle FedNow transactions, consistent with Federal Reserve policies, including but not limited to the Federal Reserve Policy on Payment System Risk.
- 7.9** A Correspondent that maintains a Settlement Account is required to maintain a balance of actually and finally collected funds sufficient to cover any charges to the Settlement Account. The Reserve Banks are not responsible for obligations or rights of a Respondent with respect to its Correspondent.
- 7.10** Designation of a Settlement Account supersedes all prior inconsistent designations. A Respondent may terminate its designation of a Correspondent's Settlement Account by written notice to the Reserve Bank that holds the account effective at the later of a subsequent date

specified in the notice and a date as agreed by the Reserve Banks. A Correspondent may terminate a Settlement Account designation by written notice to the Reserve Bank that holds the Settlement Account, effective at the later of the next FedNow Service Funds Transfer Business Day following receipt of the notice and a later date specified in the notice.

- 7.11** A FedNow Participant must designate another Settlement Account if its Correspondent suspends payment or is closed, if the authority to charge the Correspondent's account is terminated, or if the Correspondent's Administrative Reserve Bank determines, in its discretion, that the Correspondent's Settlement Account will not have actually and finally collected funds for the FedNow Participant's activities.
- 7.12** If a FedNow Participant's Settlement Account designation is terminated for any reason, as set forth in this section 7.0, the FedNow Participant designates its own Master Account, if any, as its Settlement Account unless it designates a different Settlement Account at a Correspondent.

8.0 SECURITY PROCEDURES

- 8.1** The FedNow Participant's Administrative Reserve Bank shall verify the authenticity of Messages, including payment orders, pursuant to a security procedure described in this section.
- 8.2** Before issuing a payment order to or receiving a payment order from a Reserve Bank, a FedNow Participant must execute an agreement in the form shown in Appendix A to this operating circular. The agreement is binding on each FedNow Participant, each FedNow Participant's Administrative Reserve Bank, and any Reserve Bank with which a FedNow Participant maintains an Electronic Connection. When sending or receiving a Message to or from a Reserve Bank, a FedNow Participant is deemed to agree to the security procedure used in connection with that Message.
- 8.3** By using the FedNow Service, a FedNow Participant agrees to and shall comply with the terms of Appendix A to the Reserve Banks' Operating Circular 5. This operating circular incorporates by reference section 2 of Appendix A to the Reserve Banks' Operating Circular 5, including its description of the security procedures offered by the Reserve Bank on whose books the Master Account of each FedNow Participant is maintained.
- 8.4** Each FedNow Participant who sends or receives Messages through the FedNow Service must do so through one of the Reserve Banks' Electronic Connections. When sending a Message to or receiving a Message from the FedNow Service, a FedNow Participant chooses the security procedure associated with the Electronic Connection through which it or its Service Provider sends or receives the Message.
- 8.5** Whenever the FedNow Participant or its Service Provider chooses to use one of the Reserve Bank's security procedures, the FedNow Participant rejects the other security procedure. In accordance with section 4A-203 of Article 4A if the rejected security procedure is commercially reasonable for the FedNow Participant, the FedNow Participant is bound by any Message, including a payment order, whether or not authorized, if it was sent in the FedNow Participant's name and accepted by a Reserve Bank in compliance with the security procedure the FedNow Participant selected.

- 8.6** The FedNow Service's security procedures will not be used to detect an error in the transmission or content of a Message, including a payment order, or Message seeking to cancel or amend a payment order.
- 8.7** The Reserve Banks may amend the security procedure from time to time by amending this operating circular or by amending the Reserve Banks' Operating Circular 5. The security procedure may not be changed by an oral agreement or by a course of dealing or custom.

9.0 RECEIPT, ACCEPTANCE, AND DELIVERY OF MESSAGES

9.1 Generally

- 9.1.1** As permitted in Regulation J, a Reserve Bank may for any reason reject a Message or impose conditions that must be satisfied before it will accept a Message.
- 9.1.2** A FedNow Participant may not send a payment order through the FedNow Service identifying an originator or beneficiary that is not either (i) a FedNow Participant or (ii) a holder of a deposit account on the books of the FedNow Sender and FedNow Receiver, respectively, in the United States.
- 9.1.3** A Message sent by a FedNow Participant does not give rise to any obligation on the part of a Reserve Bank to act with respect to the Message unless and until the Message is received by the Reserve Bank. A Message sent by a FedNow Participant is not received by a Reserve Bank unless and until received by the FedNow Service application. A Message is received by the FedNow Service application when the service time stamps the Message.
- 9.1.4** Messages sent by a FedNow Participant but not received by the FedNow Service application may be queued indefinitely. The Reserve Banks reserve the right to delete such queued Messages for any reason, including to manage problems with hardware, software, data transmission, or operations facilities of FedNow Participants, Service Providers, or the Reserve Banks. A FedNow Participant shall be prepared to resend a Message if the Reserve Banks delete a Message not yet received by the FedNow Service application or if that Message is otherwise lost.
- 9.1.5** The Reserve Banks deliver Messages, including an Advice of Credit, through Electronic Connections to FedNow Participants that receive Messages. These Messages, including an Advice of Credit, are delivered to a FedNow Participant when the Reserve Bank makes the Message available for the FedNow Participant to retrieve.
- 9.1.6** A FedNow Participant must retrieve Messages made available to it as soon as possible. The Reserve Banks reserve the right to delete the Messages made available to the FedNow Participant for any reason, including to manage problems with hardware, software, data transmission, or operations facilities of FedNow Participants, Service Providers, or the Reserve Banks.
- 9.1.7** A FedNow Participant that receives Messages must maintain access to the FedNow Service, including maintaining its Electronic Connection, so as to permit it to retrieve Messages on a timely basis, including an Advice of Credit, and other information provided through the FedNow Service. If a FedNow Participant fails to manage its

access to the FedNow Service in such a manner, a Reserve Bank may limit any attempts to send a Message to the FedNow Participant. A FedNow Participant that loses its access to the FedNow Service shall notify the Appropriate Reserve Bank Staff and establish connectivity as soon as possible.

- 9.1.8** A FedNow Participant shall indemnify a Reserve Bank for any loss incurred by the Reserve Bank as a result of the FedNow Participant's delay in retrieving a Message the Reserve Banks made available through the FedNow Service, including an Advice of Credit.
- 9.1.9** When a FedNow Sender submits a payment order to its Administrative Reserve Bank via the FedNow Service, the Administrative Reserve Bank will authenticate and validate the FedNow Sender and the Message by applying technical and business validation checks. The Reserve Banks may reject a Message if characteristics of a FedNow Sender or a Message do not pass one or more of these checks or a Message does not otherwise comply with FedNow Service specifications.
- 9.1.10** Except for authentication checks that are specifically an aspect of the Reserve Banks' security procedures, the Reserve Banks are not required to perform technical or business validation checks, and FedNow Participants authorize and instruct the Reserve Banks to continue processing Messages even if the Reserve Banks fail to perform or elect not to perform one or more of these checks for any reason.
- 9.1.11** The Reserve Banks may reject a payment order if the FedNow Service is unable to process a Message within the time limits prescribed in the FedNow Service's operating procedures, which may outline, among other things, the time by which the Reserve Banks must commence settlement of a payment order and the time reserved for a FedNow Receiver to respond to a Request for Confirmation. In measuring these time limits, the Reserve Banks may rely on their own records or a time stamp used by the FedNow Sender when it sends the Message.
- 9.1.12** FedNow Senders must sign Messages they send consistent with the FedNow Service's operating procedures and technical specifications. The Reserve Banks may reject a Message that is not signed, is signed with an expired key, or is signed with a key not recognized by the FedNow Service. FedNow Participants are required to follow the FedNow Service's operating procedures and technical specifications prescribing the Reserve Banks' message signing requirements, including for obtaining, rotating, and using public and private signing keys.
- 9.1.13** The Reserve Banks sign Messages they send through the FedNow Service. The FedNow Service is designed for each FedNow Participant and its Service Provider, if any, to validate the Messages they receive using the FedNow Service's public key. In some circumstances, the Reserve Banks may process Messages without signing them, including to deal with operational exceptions that might arise. If a Message sent by a Reserve Bank is not signed, the FedNow Participant shall follow the procedure as described in the Federal Reserve's operating procedures and technical specifications.
- 9.1.14** In connection with a payment order that the Reserve Banks accept, the Reserve Banks (a) will settle the payment order by (i) debiting the amount of the payment order from the FedNow Sender's Settlement Account, and (ii) crediting the amount of the payment order to the FedNow Receiver's Settlement Account; and (b) will send an

Acknowledgment to the FedNow Sender and an Advice of Credit to the FedNow Receiver.

- 9.1.15** A FedNow Participant shall be prepared to resend a payment order sent through the FedNow Service, including if a Reserve Bank notifies the FedNow Participant that a payment order it sent was not received by or could not be processed by the FedNow Service for any reason. This includes circumstances in which there is an outage of the FedNow Service, an Electronic Connection, another Reserve Bank system, or a system of the FedNow Participant. The FedNow Sender shall follow the FedNow Service's operating procedures before resending a payment order for any reason.
- 9.1.16** The Reserve Banks also deliver Acknowledgments, Advices of Credit, or other notices of Master Account entries through the FedNow Service's supporting applications and in Master Account statements. If a FedNow Participant does not receive an Acknowledgment, Rejection, or Advice of Credit in connection with a payment order the FedNow Participant sent or a Request for Confirmation it received, the FedNow Participant shall inquire with the FedNow Service and the Appropriate Reserve Bank Staff, as prescribed in the FedNow Service's operating procedures, before submitting a payment order that might result in a duplicate payment or taking any other action on a payment order that might expose any party in the funds transfer to losses.
- 9.1.17** As provided in Regulation J, the Reserve Banks do not assume any responsibility for completion of a funds transfer on the day requested.
- 9.1.18** The Reserve Banks will maintain a participant directory to identify FedNow Participants that send or receive Instant Payment Messages. A FedNow Participant will not appear in this directory if it does not enable use of Instant Payment Messages.

9.2 Instant Payment Messages

- 9.2.1** In connection with processing an Instant Payment Message, the FedNow Service will send a Request for Confirmation to the FedNow Receiver identified in the Message. A Reserve Bank will not have executed an Instant Payment Message by virtue of the FedNow Service sending a Request for Confirmation to the FedNow Receiver, regardless of the form of such Message.
- 9.2.2** A FedNow Receiver that receives a Request for Confirmation should, among other things, use reasonable means to ascertain whether it maintains an account for the beneficiary identified in the Request for Confirmation, and is required to respond to the Request for Confirmation within the time limit specified in the FedNow Service's operating procedures. In each case, the FedNow Receiver must respond with an Accept Response Message, a Reject Response Message, or an ACWP Response Message; however, a FedNow Receiver may only use the ACWP Response Message if it has reasonable cause to believe that the beneficiary is not entitled or permitted to receive the payment as provided in Regulation J.
- 9.2.3** A Reserve Bank may reject for any reason an Instant Payment Message even after they have sent a Request for Confirmation, including if the Reserve Banks' prescribed time limit for processing the payment order has expired.
- 9.2.4** If a FedNow Receiver responds to a Request for Confirmation with an Accept Message Response and the Reserve Bank accepts the related Instant Payment Message, then the FedNow Receiver shall make funds available to the beneficiary immediately

following when the Reserve Bank makes the Advice of Credit available to the FedNow Receiver.

9.2.5 If a FedNow Receiver responds to a Request for Confirmation with an ACWP Response Message and the Reserve Bank accepts the related Instant Payment Message then the following apply:

- (a) Consistent with Regulation J, the FedNow Receiver shall not have accepted the Instant Payment Message under Article 4A or this operating circular by virtue of receiving payment from a Reserve Bank through the FedNow Service.
- (b) The FedNow Receiver shall seek to investigate and resolve the concerns it had identified with the related Instant Payment Message when it received the Request for Confirmation by the ACWP Target Deadline and shall reject or accept the related Instant Payment Message by the ACWP Target Deadline, unless the FedNow Receiver believes it would be or might be impermissible to take either action under applicable law.
- (c) If the FedNow Receiver rejects the Instant Payment Message or it is canceled, then the FedNow Receiver shall promptly initiate a refund payment to the FedNow Sender consistent with subsection 9.2.5(e) below.
- (d) If the FedNow Receiver acting as a beneficiary's bank accepts the Instant Payment Message, it shall immediately make funds available to the beneficiary.
- (e) As further prescribed in the FedNow Service's operating procedures, the FedNow Receiver shall provide (i) a status update through the FedNow Service no later than the ACWP Target Deadline indicating the then current status of the payment order and the FedNow Receiver's investigation, (ii) information to the FedNow Sender promptly in response to any status inquiries or requests for return; and (iii) a final status update to the FedNow Sender through the FedNow Service promptly in connection with accepting the Instant Payment Message, rejecting or effecting a cancellation of the Instant Payment Message, or blocking the Instant Payment Message (e.g., by holding a balance associated with the payment order in a segregated account) pursuant to applicable law.
- (f) Notwithstanding section 4A-402(c) of Article 4A, if the related funds transfer is not ultimately completed by acceptance of the Instant Payment Message by the FedNow Receiver, the obligation of the FedNow Sender to pay its Administrative Reserve Bank is not excused, no obligation of a Reserve Bank to refund the FedNow Sender will arise, and the FedNow Sender is subrogated to any right of the FedNow Receiver's Administrative Bank to obtain a refund from the FedNow Receiver.

9.3 A FedNow Receiver will have met its obligation under this section and Regulation J to make funds available to the beneficiary immediately if following acceptance of the Instant Payment Message, the FedNow Receiver credits an account of the beneficiary in accordance with section 4A-405(a) of Article 4A within the timeframe outlined in the FedNow Service's operational procedures.

9.4 A FedNow Participant should provide notice of the status of the payment to the beneficiary following a receipt of an Advice of Credit (or otherwise accepting a payment order received through the FedNow Service), an Acknowledgment, and a Confirmation of Posting. The FedNow Participant should provide this notice within the timeframes outlined in the FedNow Service's operational procedures.

- 9.5** An Advice of Credit sent in connection with processing an Instant Payment Message, by operation of this circular, (i) is a payment order sent by the Reserve Bank to a FedNow Receiver and (ii) includes the information contained in the related Request for Confirmation. The FedNow Participant must retain the Request for Confirmation for a time and in a manner that, at a minimum, allows the FedNow Participant (a) to relate the Request for Confirmation with any related Advice of Credit or Rejection the FedNow Participant receives from the FedNow Service in a time and manner to meet its obligations under this operating circular and Regulation J; and (b) to reconcile its activities through the FedNow Service.
- 9.6** Instant Payment Messages may be sent to the FedNow Service using a Message format designed to carry standard customer transfers and those designed to effect funds transfers to return payments a FedNow Participant or its customer had previously received. A FedNow Participant that needs to return a payment it received through the FedNow Service should initiate a new funds transfer through the FedNow Service to do so, but it may do so through other reasonable means. In each case, the FedNow Participant shall reference the original payment order in a manner consistent with the FedNow Service's operational procedures and technical specifications, as applicable.
- 9.7 LMT Payment Messages**
- 9.7.1** A FedNow Participant may only send an LMT Payment Message to support liquidity needs related to payment activity in the FedNow Service or another instant payment system backed by a Joint Account at a Reserve Bank. LMT Payment Messages sent for this purpose may be used to effect transfers between Settlement Accounts of FedNow Participants, between an Excess Balance Account and the Settlement Account of a participant in that Excess Balance Account, or between a Joint Account backing a private sector instant payment system and the Settlement Account of a participant in that private sector system or its funding agent.
- 9.7.2** FedNow Participants that enable LMT Payment Messages are not required to establish a profile that enables them to send or receive Instant Payment Messages through the FedNow Service.
- 9.7.3** In processing an LMT Payment Message the FedNow Service will not generate a Request for Confirmation, and the FedNow Receiver is not required to provide a related Response Message. These features relate only to Instant Payment Messages. Terms in this operating circular applicable solely to Requests for Confirmation and related Response Messages are not applicable to LMT Payment Messages.
- 9.7.4** LMT Payment Messages are subject to their own transaction value and daily volume limitations and funds availability requirements, each as set forth in the FedNow Service's operating procedures. The Reserve Banks have also established Cutoff Times specific to LMT Payment Messages that are set forth in the FedNow Service Schedule.
- 9.7.5** A FedNow Receiver acting as the beneficiary's bank will have met its obligation under Regulation J to make funds available to the beneficiary immediately if following acceptance of an LMT Payment Message the FedNow Receiver credits an account of the beneficiary in accordance with section 4A-405(a) of Article 4A within the timeframe outlined in the FedNow Service's operational procedures.
- 9.8 Nonvalue Messages**

- 9.8.1** The Reserve Banks handle Messages that do not generate an accounting entry by the FedNow Service on the books of any Reserve Bank. Such Nonvalue Messages are further described in the FedNow Service's operating procedures and include request for payment, request for information, request for return of funds, request for payment cancellation, and other administrative messages. The Reserve Banks also send certain other Nonvalue Messages to FedNow Participants that are notices, summaries, or statements.
- 9.8.2** Nonvalue Messages are not payment orders but are subject to the Reserve Banks' format requirements, security procedures, and time and fee schedules.
- 9.8.3** The Reserve Banks have established market practices for handling certain Nonvalue Messages that are outlined in the FedNow Service's operating procedures. FedNow Participants should respond to Nonvalue Messages in the manner, and if applicable, within the times set forth in the FedNow Service's operating procedures.
- 9.8.4** Certain Nonvalue Messages, such as a request for return Message and certain inquiry Messages sent by other FedNow Participants, may be sent by a FedNow Participant to communicate about an exception, such as an error, an unauthorized transfer, or a rejection, that occurred with a payment order the FedNow Participant had sent or received. Each FedNow Participant that receives a Nonvalue Message communicating about one of these exceptions shall coordinate with the sending FedNow Participant and use reasonable efforts to aid that FedNow Participant in its investigation into the nature of the exception and to remediate such exception.
- 9.8.5** The FedNow Service allows FedNow Participants to send Nonvalue Messages requesting payment from another party. As further described in the FedNow Service's operating procedures, a FedNow Participant that sends these Nonvalue Messages (i) warrants to the Reserve Bank and the receiving FedNow Participant that these Nonvalue Messages are for a legitimate purpose, (ii) shall monitor use of these Nonvalue Messages to identify abuses by the FedNow Participant or its customers, and (iii) shall take corrective action to investigate, cease, and further prevent any abuses of these Nonvalue Messages once identified by the FedNow Participant, the Reserve Banks, or any other FedNow Participant.
- 9.8.6** Notwithstanding section 4A-211 of Article 4A, a Reserve Bank has no obligation to cancel or amend a payment order, even if it receives from a FedNow Participant a request for return or other Message seeking to cancel or amend the payment order. If a Message seeking to cancel or amend a payment order is accepted by a Reserve Bank, the Reserve Bank's only obligation is to send the Message to the FedNow Participant identified by the sender of the Message as the FedNow Participant to receive it. Whether such a Message would be effective to cancel or amend a payment order received by that FedNow Participant is governed by section 4A-211 of Article 4A.
- 9.8.7** By sending a request for return or other Message seeking to cancel or amend a payment order, the FedNow Participant may be liable under section 4A-211 of Article 4A unless the FedNow Participant disclaims its indemnity obligation in the Message as specified in the FedNow Service's technical specifications.

10.0 [RESERVED]

11.0 OPERATING HOURS AND EXTENSIONS

- 11.1** The FedNow Service has a 24-hour business day each day of the week. For the purposes of determining a Reserve Bank's rights and obligations under Regulation J, Article 4A, and this operating circular, each Reserve Banks' FedNow Service Funds Transfer Business Day begins and ends at the times stated on the FedNow Service Schedule of operating hours for the FedNow Service published by the Reserve Banks on FRBservices.org, regardless of the Reserve Bank's geographic location or time zone. The Reserve Banks may amend the FedNow Service Schedule from time to time.
- 11.2** In each case as prescribed in the FedNow Service Schedule, the FedNow Service Funds Transfer Business Day may differ from the calendar day, and the Reserve Banks may establish Cutoff Times for sending Messages through the FedNow Service based on, among other things, the Message type or time limits set by the Reserve Banks. The FedNow Service will continue to operate through any Cutoff Times the Reserve Banks set.
- 11.3** The Reserve Banks may extend a FedNow Service Funds Transfer Business Day for any reason.
- 11.4** The FedNow Service will provide notice to FedNow Participants informing them of a change in FedNow Service Funds Transfer Business Day.
- 11.5** A Reserve Bank satisfies its obligations under Regulation J, Article 4A, and this operating circular if, upon acceptance of a payment order, a Reserve Bank executes the payment order or pays the beneficiary of the payment order on the same FedNow Service Funds Transfer Business Day that it received the payment order even if it is not the same calendar day.
- 11.6** FedNow Participants should refer to the FedNow Service's operating procedures for information on operations outside of Standard Business Days.

12.0 REQUIRED REPORTING; RECONCILEMENT

- 12.1** Each FedNow Participant must keep records sufficient to perform its obligations under this operating circular including to reconcile its activities and resolve exceptions that might arise.
- 12.2** In addition to the requirement for notice under section 210.43(c) of Regulation J and sections 4A-204 and 4A-304 of Article 4A, each FedNow Participant shall immediately notify the Appropriate Reserve Bank Staff if the FedNow Participant learns of or discovers a lack of authority in the transmission or processing of a payment order it sent or, from any source other than an Acknowledgment or Rejection from a Reserve Bank, the possibility of error.
- 12.3** Each FedNow Participant must immediately notify Appropriate Reserve Bank Staff of any discrepancy between a payment order sent by the FedNow Participant or Advice of Credit sent by a Reserve Bank to the FedNow Participant and any Acknowledgment or other notice of debit or credit to the FedNow Participant's Settlement Account.

- 12.4** In accordance with Appendix C to this operating circular each FedNow Participant shall report any other instances of fraudulent activity involving the FedNow Service.

13.0 REPORTING BY THE RESERVE BANKS; RECORDS

- 13.1** As further prescribed in the FedNow Service's operating procedures and other Reserve Bank guidance on account maintenance, the Reserve Banks will provide reporting options through the FedNow Service's messaging capabilities and user interface and through other ancillary systems. FedNow Participants should establish procedures to receive reports through more than one of these options.
- 13.2** The Reserve Banks' records will govern the timing of all aspects related to the FedNow Service, including settlement, time limits for the processing of payment orders, creation of a Message and delivery and receipt of a Message and other notices.

14.0 AVAILABILITY

- 14.1** Each FedNow Participant that sends or receives Instant Payment Messages shall maintain the ability to, as applicable based on the FedNow Service profile, send and receive Messages through the FedNow Service, communicate with their customers to receive payment orders and provide notices, and comply with the FedNow Participant's obligations to make funds immediately available to its beneficiaries, in each case, on a 24-hour basis each calendar day, regardless of whether the day is a weekend or other holiday. Other FedNow Participants should maintain the ability to conduct the activities selected in their FedNow Service profile or perform for another FedNow Participant during the hours of those activities.
- 14.2** Each FedNow Participant must follow the guidance in the FedNow Service's operating procedures that address reasonable timeframes for maintenance activities that may limit the FedNow Participant's ability to process transfers through the FedNow Service. To the extent a FedNow Participant, or its Service Provider, if any, conducts maintenance activities that limit the participant's ability to process transfers through the FedNow Service, receive payment orders from prospective originators, or comply with the participant's obligations to make funds available to its beneficiaries, the FedNow Participant should conduct those maintenance activities at times and in a manner that is least disruptive to the FedNow Participant, other FedNow Participants, and prospective originators and beneficiaries of transfers processed through the FedNow Service.
- 14.3** If a FedNow Participant consistently is unable to meet the Reserve Banks' availability expectations, Appropriate Reserve Bank Staff may counsel the FedNow Participant or take remedial actions against the FedNow Participant up to and including, but not limited to, terminating or restricting the FedNow Participant's access to the FedNow Service as described in section 10.
- 14.4** The obligations in this section apply to all FedNow Participants regardless of whether a FedNow Participant accesses the FedNow Service directly or by using a Service Provider. The Reserve Banks are not liable for any loss or damage that might arise because a FedNow Participant or its Service Provider fails to perform its obligations under this section 14. Each FedNow Participant and the Service Provider shall indemnify and hold the Reserve Banks harmless against any claim, loss, cost or expense, including, but not limited to, attorneys' fees and

expenses of litigation, that may arise because the FedNow Participant or the Service Provider fails to perform its obligations under this section 14.

15.0 SERVICE PROVIDERS

- 15.1** A FedNow Participant may authorize another entity to act as its Service Provider by executing the agreement in Appendix B to this operating circular. A FedNow Participant must use the agreement in Appendix B to this operating circular even if it is establishing the Service Provider relationship for contingency purposes only and even if the Service Provider is affiliated with the FedNow Participant. Until the agreement in Appendix B to this operating circular is received and approved by the Appropriate Reserve Bank Staff, a FedNow Participant may not use a Service Provider. As part of the approval process for a Service Provider, the Reserve Banks may require that the FedNow Participant and its Service Provider demonstrate operational readiness with technical specifications, information security requirements, and agree to any additional terms or meet additional conditions prescribed by the Reserve Banks.
- 15.2** By executing the agreement in Appendix B to this operating circular, a FedNow Participant (i) authorizes a Service Provider to act on its behalf under this operating circular without limitation, (ii) designates the Service Provider as its agent for accessing Reserve Bank systems for sending or receiving Messages through the FedNow Service, (iii) authorizes the Service Provider to select which security procedures (described in section 2 of Appendix A to the Reserve Banks' Operating Circular 5) to use to access Reserve Bank systems, (iv) authorizes the Reserve Banks to act upon information and instructions of the Service Provider with respect to that FedNow Participant, and (v) authorizes the Reserve Banks to provide the Service Provider with information about the FedNow Participant.
- 15.3** Any Message through the FedNow Service initiated by, transmitted by or through, or received by or through a Service Provider is authorized and effective to the same extent as if the Message were initiated, transmitted, or received by the FedNow Participant.
- 15.4** A Message is sent to a Reserve Bank when it is transmitted to the FedNow Service by the Service Provider. It is the responsibility of the FedNow Participant and its Service Provider to implement appropriate security controls to protect any information that flows between the FedNow Participant and the Service Provider. By authorizing a Service Provider to act on its behalf, a FedNow Participant agrees that: (i) its Service Provider may be granted credentials identifying the Service Provider as authorized to access the FedNow Service; (ii) its Service Provider may use those credentials to act on behalf of the FedNow Participant without limitation; and (iii) at the option of its Service Provider, the Service Provider may use the same credentials to access the FedNow Service on behalf of other FedNow Participants that have designated the Service Provider to act on their behalf.
- 15.5** By authorizing a Service Provider to act on its behalf, a FedNow Participant agrees that (i) the Reserve Banks may establish an Electronic Connection with the Service Provider for its use in sending and receiving Messages through the FedNow Service on the FedNow Participant's behalf, and (ii) the Service Provider may use the same Electronic Connection to send and receive Messages on behalf of the FedNow Participant.
- 15.6** A Financial Institution acting as a Service Provider for a FedNow Participant to send or receive Messages through the FedNow Service may establish its own Electronic Connection or use the

Electronic Connection of a Secondary Service Provider. In cases involving a Secondary Service Provider:

- (a) The FedNow Participant authorizes the Financial Institution to act as its Primary Service Provider and the party maintaining the Electronic Connection to act as its Secondary Service Provider, in each case under this section 15;
- (b) By maintaining the Electronic Connection in this capacity, the Secondary Service Provider agrees to act as Service Provider for the FedNow Participant in addition to acting as a Service Provider for the Financial Institution;
- (c) The Primary Service Provider for a FedNow Participant shall notify the FedNow Participant of the relationship between it and the Secondary Service Provider, and each shall identify the Secondary Service Provider in the agreement provided by the Reserve Bank to establish the Service Provider relationship between the Primary Service Provider and the FedNow Participant; and
- (d) The Primary Service Provider must provide reasonable prior notice to the FedNow Participant and Appropriate Reserve Bank Staff before using the Electronic Connection of a different Secondary Service Provider. Regardless of such notice, whenever a Primary Service Provider begins using the different Secondary Service Provider's Electronic Connection to access the FedNow Service, the FedNow Participant authorizes such Secondary Service Provider selected by its Primary Service Provider, and each such Secondary Service Provider, agrees to act for the FedNow Participant.

- 15.7** To effect any actions that the Reserve Banks may take to terminate or restrict a FedNow Participant's access to the FedNow Service under section 7.1 of the Reserve Banks' Operating Circular 5, the Reserve Banks may instruct a Service Provider to terminate or restrict the FedNow Participant's use of an Electronic Connection managed by the Service Provider. To the extent that the Reserve Banks determine that the FedNow Participant's use of the FedNow Service may pose one of the risks identified in section 7.1 of the Reserve Banks' Operating Circular 5 and are considering terminating or restricting a FedNow Participant's access to the FedNow Service, the Reserve Banks may instruct the Service Provider to take other steps with respect to the FedNow Participant's use of the Electronic Connection, including but not limited to instructing the Service Provider to monitor the Messages sent or received on behalf of the FedNow Participant.
- 15.8** It is the responsibility of the FedNow Participant and its Service Provider to establish controls sufficient to ensure that the Service Provider properly segregates the Messages of the FedNow Participant from the Messages of other FedNow Participants it serves. The Reserve Banks are not required to take, and will not take, any measures to ensure that the FedNow Participant's Messages are properly identified or segregated by the Service Provider for the FedNow Participant.
- 15.9** The Reserve Banks may share any information relating to a FedNow Participant, including how it uses or accesses the FedNow Service, with a Service Provider. Each Service Provider shall maintain a current list of all FedNow Participants for which it acts as a Service Provider and the services that it provides to such FedNow Participants. At a minimum, such list shall describe for each FedNow Participant the (i) types of Messages the Service Provider initiates, transmits, or receives on behalf of the FedNow Participant and (ii) the Electronic Connections managed by the Service Provider used to send or receive Messages on behalf of the FedNow Participant. Upon request of a Reserve Bank, the Service Provider shall provide such list to the Reserve Banks.

- 15.10** By establishing a profile for a Service Provider to receive Messages through the FedNow Service, a FedNow Participant designates the Service Provider as the proper place for sending Messages and other notices. A Reserve Bank properly executes a payment order as stated in this operating circular if it sends an Advice of Credit representing the payment order to a Service Provider maintaining a service provider endpoint enabled for receiving Messages on the FedNow Participant's behalf.
- 15.11** A Message initiated, transmitted, or received by a Service Provider or sent over an Electronic Connection managed by a Service Provider is subject to this operating circular and any other relevant Reserve Bank operating circulars, as well as any policy or regulation of the Board of Governors of the Federal Reserve System with respect to the wire transfer of funds, electronic access, and payments system risk.
- 15.12** A Service Provider is not a sender or receiving bank as defined in Article 4A with respect to payment orders it sends or receives as Service Provider for a FedNow Participant.
- 15.13** The designation of a Service Provider by a FedNow Participant shall in no way affect or diminish any obligation or duty of a FedNow Participant under this operating circular or the terms of any separate operating circular or agreement governing a particular Reserve Bank service. It is the responsibility of the FedNow Participant to ensure that its Service Provider complies with the FedNow Participant's obligations under this operating circular and the terms of any separate operating circular or agreement governing a particular Reserve Bank service. Notwithstanding the use of a Service Provider, the FedNow Participant retains full responsibility for management of its Master Account, if any, with respect to both its intraday and overnight positions. Any overdraft incurred in that Master Account is a binding obligation of the FedNow Participant to the Reserve Bank on whose books the Master Account is maintained.
- 15.14** A Message initiated by, transmitted by or through, or received by or through a Service Provider constitutes the initiation, transmission, or receipt of the Message by the FedNow Participant for purposes of authorizing the Reserve Bank to debit or credit the Master Account, as applicable.
- 15.15** The FedNow Participant and the Service Provider each shall indemnify and hold the Reserve Bank harmless against any claim, loss, cost, or expense, including, but not limited to, attorneys' fees and expenses of litigation, resulting from (i) the designation or use of that Service Provider by the FedNow Participant; (ii) the acts or omissions of the FedNow Participant or the Service Provider (or any of their agents) other than for a claim, loss, cost, or expense arising solely out of a Reserve Bank's failure to exercise ordinary care or to act in good faith; or (iii) the FedNow Participant's failure to authorize the Service Provider to act on its behalf through the submission of a fully executed agreement in the form shown in Appendix B to this operating circular or such other agreement provided by the Reserve Banks.
- 15.16** A FedNow Participant or Service Provider may terminate the FedNow Participant's designation of that Service Provider by providing prior written notice to the Appropriate Reserve Bank Staff. Such notice shall be effective at the later of a subsequent date specified in the notice and a date agreed to by the Reserve Banks.
- 15.17** Although the terms of a "FedNow Participant" and a "Service Provider" may be separately referenced for emphasis or clarity in this operating circular, terms governing functions performed by a Service Provider on a FedNow Participant's behalf apply to both the FedNow Participant and the Service Provider even in the absence of a specific reference to both.

16.0 ELECTRONIC DOCUMENTS; RECORDING CALLS

- 16.1** To the extent any Reserve Bank or provision in Article 4A requires agreements or other documents to be in writing, a Reserve Bank may accept such documents in electronic form.
- 16.2** By executing or submitting an agreement or other document with prefilled information, the FedNow Participant and Service Provider, if any, agree that it will review such information to confirm it is accurate and complete as of the date submitted to the Reserve Banks. The FedNow Participant and Service Provider, if any, agree not to submit an agreement or other document which contains inaccurate information.
- 16.3** The Reserve Banks may record any telephone call relating to the use of the FedNow Service.

17.0 COMPLIANCE RELATED REQUIREMENTS

- 17.1** Each FedNow Participant that conducts transactions on behalf of customers shall adopt and maintain: (i) reasonable procedures for screening information about potential originators and beneficiaries within their customer base against relevant sanction lists, including updates to those lists; (ii) a compliance program that is reasonably designed to ensure compliance with applicable sanctions laws and the compliance-related FedNow Service terms set forth in this section; and (iii) a Bank Secrecy Act (BSA)/anti-money laundering (AML) compliance program consistent with the regulations issued by the U.S. Department of the Treasury's Financial Crimes Enforcement Network and the FedNow Participant's federal functional regulator.

18.0 RESERVE BANK LIABILITY

- 18.1** Except as expressly provided in this operating circular (i) with respect to the handling of payment orders under this operating circular, the Reserve Banks are not liable for any damages other than those payable under Regulation J, and (ii) with respect to the performance of other services contemplated by this operating circular, a Reserve Bank's liability is limited as expressly provided in this operating circular or, if no express limitation exists, to losses incurred by the FedNow Participant that directly result from a Reserve Bank's willful misconduct or failure to exercise ordinary care. In no event is a Reserve Bank liable for any special or consequential damages, even if such damages were foreseeable or the Reserve Bank had been informed of the possibility of such damages.
- 18.2** A Reserve Bank's liability for damages caused by its failure to exercise ordinary care or act in good faith in processing a Message described in section 9 is limited to the amount of any fee paid to a Reserve Bank for such Message.
- 18.3** The Reserve Banks are not liable for any loss or damage related to a FedNow Participant's or Service Provider's use of any product or service not supplied, owned, or operated by a Reserve Bank that interacts or interfaces with, or otherwise facilitates a FedNow Participant's or Service Provider's use of or access to, the FedNow Service. The Reserve Banks provide no warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for a particular purpose, title, quality, or noninfringement with respect to any such product or service. This provision applies to, but is not limited to, any third-party product or service not supplied, owned, or operated by a Reserve Bank through which the Reserve Banks make available information about the FedNow Service, such as format-related information.

19.0 DISCLOSURE OF INFORMATION

- 19.1** Consistent with the Reserve Banks' Operating Circular 1, FedNow Participants using the FedNow Service hereby consent to the use and/or disclosure by the Reserve Banks of all transaction records and related information to the full extent permitted by applicable law. Anticipated collection, use and/or disclosure of all transaction record and related information may include directory or fraud services necessary to effect, administer, or enforce a transaction as well as to protect against or prevent actual fraud or potential fraud, unauthorized transactions, or claims of other liability. FedNow Participant represents and warrants that the FedNow Participant has provided all required disclosures and obtained all consents or permissions necessary to permit such use by the Reserve Banks. FedNow Participant shall indemnify and hold the Reserve Banks harmless against any claim, loss, cost, or expense, including, but not limited to, attorneys' fees and expenses of litigation, that may arise because the FedNow Participant fails to perform its obligations under this section 19.

20.0 MISCELLANEOUS

- 20.1** If a FedNow Participant and Service Provider, if any, provide a Reserve Bank with feedback, including but not limited to ideas, comments or suggestions relating to the FedNow Service, all intellectual property rights in such feedback, and anything created as a result of that feedback (including new material, enhancements, modifications or derivative works), are owned by the Reserve Bank.
- 20.2** In no event shall a FedNow Participant or its Service Provider, if any:
- 20.2.1** Modify, add to, translate, reverse assemble, reverse compile, decompile, or otherwise attempt to derive the source code for the FedNow Service or any of its components;
 - 20.2.2** Introduce malicious code or other information (e.g., virus, Trojan horse, worm) that could impact the performance of the FedNow Service or any of its components; or
 - 20.2.3** Attempt to interfere with the normal operation of Reserve Bank systems or the network over which the FedNow Service is provided.
- 20.3** FedNow Participant and its Service Provider, if any, shall not remove or otherwise eliminate from view any copyright, trademark or confidentiality notice or legend appearing in the FedNow Service or any of its components. In no event shall any FedNow Participant or its Service Provider, if any, attempt to scan or execute programs or automated processes to identify security vulnerabilities with the FedNow Service or any of its components.

21.0 GOVERNING LAW; LEGAL ACTIONS

- 21.1** This operating circular shall be governed by federal law, and, to the extent not inconsistent therewith, the laws of the state in which the head office of the FedNow Participant's Administrative Reserve Bank is located excluding the state's laws regarding conflicts of law.
- 21.2** Subpart C of Regulation J and this operating circular, apply to funds transfers through the FedNow Service. Services not contemplated in Regulation J but described in this operating circular are governed by federal law and this operating circular, and to the extent not

inconsistent therewith, the laws of the state in which the head office of the FedNow Participant's Administrative Reserve Bank is located excluding the state's law regarding conflicts of law.

- 21.3** A FedNow Participant and its Service Provider, if any, may only bring a legal action against a Reserve Bank for any act or omission relating to any activity contemplated by this operating circular that meets the requirements of this section 21.3. A FedNow Participant and its Service Provider, if any, must bring such legal action in the United States district court in whose district the head office of the FedNow Participant's Administrative Reserve Bank is located. Each FedNow Participant, and its Service Provider, if any, hereby submit to the exclusive jurisdiction of such court. A FedNow Participant may not assert a claim objecting to a debit to its Settlement Account unless the FedNow Participant provides notice to its Administrative Reserve Bank consistent with section 4A-505 and must bring legal action to enforce any such claim within one year from the date of notice. Any other legal action against a Reserve Bank relating to the FedNow Service must be initiated within one year from the date of the transaction or occurrence that gives rise to the claim.

22.0 RIGHT TO AMEND

- 22.1** The Reserve Banks reserve the right to amend this operating circular at any time without prior notice.

23.0 EFFECT OF THIS OPERATING CIRCULAR ON PREVIOUS OPERATING CIRCULAR

- 23.1** This operating circular supersedes the Reserve Banks' Operating Circular 8, *Funds Transfers Through the FedNow Service*, with an effective date of January 5, 2026, and is effective on April 1, 2026.

Appendix A: FedNow[®] Service Security Procedure Agreement

*Required Fields

Section 1: Service Description and Agreement Instructions

This FedNow Service Security Procedure Agreement is Appendix A to the Reserve Banks' Operating Circular 8, *Funds Transfers through the FedNow Service*. It must be completed by each FedNow Participant. Unless otherwise stated, terms defined in Operating Circular 8 have the same meaning in this security procedure agreement.

This agreement must be signed by an individual listed on your financial institution's Official Authorization List (OAL). It may be ink signed, or electronically signed in accordance with the electronic signature requirements of the Appropriate Reserve Bank. For ink signatures, please email the completed agreement to the Support Center at ccc.bankservices@kc.frb.org.

Please retain a copy of the completed agreement for your records. Any agreement that is incomplete will be returned to your institution. If the agreement is provided to you with prefilled information, by signing below you confirm that you have reviewed such information and agree that it is current and accurate as of the date of your signature.

For assistance completing this security procedure agreement, please contact the Support Center at (833) FRS-SVCS (377-7827).

Section 2: Financial Institution Information

Financial Institution Name*			
Identification Number (RTN)* <i>Master/Parent Account RTN or Primary RTN for Lead Non-Account Holders</i>			
Street Address*			
City*			
State*			
Zip Code*			
Main Phone Number *	<i>Country Code</i>	<i>Phone</i>	<i>Extension</i>

Section 3: Service Specific Information

We, the institution identified in section 2 above, agree to the provisions of Operating Circular 8, including the terms relating to security procedures and the Reserve Banks acting on authenticated instructions, as amended from time to time.

Section 4: Authorization

The undersigned is signing this security procedure agreement on behalf of the financial institution identified in section 2 above.

The signer of this security procedure agreement must appear as an authorized individual on your financial institution's OAL currently on file with the Reserve Banks.

Authorized Signer Name*	First	MI	Last
Authorized Signer Title*			
Authorized Signer Email Address*			
Authorized Signer Phone Number*	Country Code	Phone	Extension
Authorized Signature*			
Date Signed*			

Federal Reserve Use Only

Appendix B: Service Provider Agreement For the FedNow[®] Service

***Required Fields**

Section 1: Service Description and Agreement Instructions

This Service Provider Agreement for the FedNow Service is Appendix B to the Reserve Banks' Operating Circular 8, *Funds Transfers through the FedNow Service*. It is used by a financial institution that is a FedNow Participant to authorize another entity to act as its Service Provider with respect to the FedNow Service. Unless otherwise stated, terms defined in Operating Circular 8 have the same meaning in this service provider agreement.

Section 3A of the agreement must be signed by an individual listed on your financial institution's Official Authorization List (OAL) and section 3B of the agreement must be signed by an individual listed on your Service Provider's OAL. The agreement may be ink signed, or electronically signed in accordance with the electronic signature requirements of the Appropriate Reserve Bank. For ink signatures, please email the completed agreement to the Support Center at ccc.bankservices@kc.frb.org.

Please retain a copy of the completed agreement for your records. Any agreement that is incomplete will be returned to your institution. If the agreement is provided to you with prefilled information, by signing below you confirm that you have reviewed such information and agree that it is current and accurate as of the date of your signature.

For assistance completing this service provider agreement, please contact the Support Center at (833) FRS-SVCS (377-7827).

Section 2: Financial Institution & Service Provider Information

Financial Institution Name*			
Identification Number (RTN)* <i>Master/Parent Account RTN or Primary RTN for Lead Non-Account Holders</i>			
Street Address*			
City*			
State*			
Zip Code*			
Main Phone Number*	Country Code	Phone	Extension
Service Provider Name*			
Identification Number (RTN/ETI)*			

Street Address*			
City*			
State*			
Zip Code*			
Main Phone Number*	<i>Country Code</i>	<i>Phone</i>	<i>Extension</i>

Section 3: Service Specific Information

A. Financial Institution

In accordance with section 15 of Operating Circular 8, we designate the Service Provider named in section 2 as our Service Provider.

We authorize the designated Service Provider to act on our behalf as specified in Operating Circular 8, including in selecting a security procedure. If the designated Service Provider will be operating outside of the United States, we represent and warrant that our use of that Service Provider will not result in our noncompliance with any U.S. state or federal laws and regulations, including but not limited to privacy laws and the Bank Secrecy Act and regulations promulgated thereunder.

The undersigned is signing this service provider agreement on behalf of the financial institution identified in section 2 above.

The signer of this service provider agreement must appear as an authorized individual on your financial institution's OAL currently on file with the Reserve Banks.

Authorized Signer Name*	<i>First</i>	<i>MI</i>	<i>Last</i>
Authorized Signer Title*			
Authorized Signer Email Address*			
Authorized Signer Phone Number*	<i>Country Code</i>	<i>Phone</i>	<i>Extension</i>
Authorized Signature*			
Date Signed*			

B. Service Provider

We agree to the terms of Operating Circular 5 and Operating Circular 8 and agree to act as a Service Provider for the financial institution identified in section 2.

The undersigned is signing this service provider agreement on behalf of the Service Provider identified in section 2 above.

The signer of this service provider agreement must appear as an authorized individual on the Service Provider's OAL currently on file with the Reserve Banks.

Authorized Signer Name*	<i>First</i>	<i>MI</i>	<i>Last</i>
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Authorized Signer Title*			
Authorized Signer Email Address*			
Authorized Signer Phone Number*	Country Code	Phone	Extension
Authorized Signature*			
Date Signed*			

Federal Reserve Use Only

Last updated: April 1, 2026

Appendix C: Fraud Reporting Procedures

This appendix outlines the requirements for FedNow Participants to report unusual payment orders processed through the FedNow Service, so that the Reserve Banks and each FedNow Participant may help to remediate, investigate, and prevent fraudulent activity associated with payment orders sent or received by each through the FedNow Service.

1.0 Definitions

- 1.1 Unless otherwise stated in this appendix, a term defined in Regulation J, including a term defined in Article 4A of the Uniform Commercial Code to the extent consistent with Regulation J, or in the body of this Operating Circular 8 has the same meaning in this appendix.
- 1.2 For purposes of this appendix:
 - 1.2.1 **Unusual Payment Order** means any payment order sent or received by a FedNow Participant through the FedNow Service that was authorized by a FedNow Sender when sent to the FedNow Service but that a FedNow Participant learns otherwise may have resulted from fraudulent activity.
 - 1.2.2 **Reportable Transfer** means a funds transfer completed, in part, through the FedNow Service based on an Unusual Payment Order and that the FedNow Participant believes in good faith was the result of fraudulent activity.
 - 1.2.3 **Permitted Purpose** means for the purpose of remediating, investigating, and preventing Reportable Transfers.

2.0 Reporting

- 2.1 Before reporting a Reportable Transfer, a FedNow Participant shall investigate each Unusual Payment Order it sent or received to ascertain whether the Unusual Payment Order resulted in a Reportable Transfer.
- 2.2 Following the investigation, each FedNow Participant shall, as prescribed in the FedNow Service's operating procedures, (a) report each Reportable Transfer to the FedNow Service and to the other FedNow Participant that was a party to the Reportable Transfer; and (b) correct any report of a Reportable Transfer it made based on any new information it receives, including in response to additional facts provided by another FedNow Participant or its customer.
- 2.3 The Reserve Banks will provide Nonvalue Message capabilities within the FedNow Service and other procedures for FedNow Participant to report a Reportable Transfer to the FedNow Service and to another FedNow Participant that was a party to the Reportable Transfer. The Reserve Banks are responsible only for transmitting the information they receive from the FedNow Participant

reporting the Reportable Transfer to the other FedNow Participant involved in the Reportable Transfer. The Reserve Banks will not supplement or evaluate the information reported by a FedNow Participant before transmitting the information to the other FedNow Participant. The Reserve Banks may perform business validation checks to ensure information provided by a FedNow Participant follows Reserve Bank message and other format specifications.

- 2.4** Transmission times by the Reserve Banks will vary based on the reporting mechanism used by the FedNow Participant. A FedNow Participant seeking for the FedNow Receiver to cancel or otherwise request a return associated with a payment order sent through the FedNow Service should do so using a Nonvalue Message consistent with the FedNow Service's technical specifications.
- 2.5** A FedNow Participant may not report a payment order that it did not authorize as a Reportable Transfer and the Reserve Banks are not required to treat reports of Reportable Transfers as objections to debits to the FedNow Participant's Settlement Account for purposes of Article 4A. FedNow Participants must comply, as applicable, with other reporting requirements outlined in this operating circular, the Reserve Banks' Operating Circular 1 and Operating Circular 5 to report, among other things, payment orders that they did not authorize that were sent through the FedNow Service.
- 2.6** Each FedNow Participant is required to identify one or more authorized persons to receive reports of Reportable Transfers and to field inquiries related to Reportable Transfers. The Reserve Banks may use or disclose contact information for these authorized persons in any manner consistent with section 7.3 of the Reserve Banks' Operating Circular 1, including by making it available to other Financial Institutions and Service Providers.
- 2.7** FedNow Participants may only use information they receive in a report of a Reportable Transfer for a Permitted Purpose.

3.0 Inquiries and Error Resolution Procedures

- 3.1** Each FedNow Participant shall use reasonable efforts to:
 - (a) investigate inquiries from its customers and other FedNow Participants about Reportable Transfers, including to remediate exceptions, such as errors, unauthorized transfers, or rejections, in each case associated with a Reportable Transfer, a FedNow Participant report of a Reportable Transfer, or any related action taken by a FedNow Participant; and
 - (b) assist another FedNow Participant in its investigation of exceptions associated with Reportable Transfers, correct reports of Reportable Transfers, and correct any other action taken by the FedNow Participant in connection with a Reportable Transfer.

4.0 Relation to Other Requirements

- 4.1** The reporting requirements outlined in this appendix do not vary the Reserve Banks' security procedures described in this operating circular.
- 4.2** Nothing in this appendix relieves a FedNow Participant for complying with other requirements applicable to them, whether imposed by agreement or under applicable law. FedNow Participants are not expected to report a Reportable Transfer if doing so would violate applicable law.

5.0 Reserve Bank Liability

- 5.1** The Reserve Banks are not liable for any loss or damage resulting from receipt, transmission, or use of a report of a Reportable Transfer.
- 5.2** Nothing in this appendix relieves a Reserve Bank from responsibility under this operating circular for its own failure to exercise ordinary care or to act in good faith in providing the operational and informational options described in this appendix. A Reserve Bank's liability under this appendix is strictly limited to damages proximately suffered by a FedNow Participant and does not extend to lost profits, claims by third parties, or consequential or incidental damages even if the Reserve Bank had been informed of the possibility of such damages.

Appendix D: Additional Processing Options

Certain additional processing options have been developed to enhance the risk management capabilities of the Reserve Banks in operating the FedNow Service and to aid FedNow Participants in managing risks they face in connection with sending and receiving payment orders through the FedNow Service by supplementing their risk mitigation practices. The terms governing such additional processing options are set forth in this appendix.

1.0 Definitions

- 1.1 Unless otherwise stated in this appendix, a term defined in Regulation J, including a term defined in Article 4A of the Uniform Commercial Code to the extent consistent with Regulation J, or in the body of this Operating Circular 8 has the same meaning in this appendix.
- 1.2 For purposes of this appendix:
 - 1.2.1 **Account Activity Thresholds** means the velocity and cumulative value thresholds for sender accounts as configured by a FedNow Participant.
 - 1.2.2 **Entry Pair** means an account number and routing number pair.
 - 1.2.3 **Negative List** means a list maintained by the Reserve Banks that contains Entry Pairs submitted by a FedNow Participant.
 - 1.2.4 **Additional Processing Options** mean the Negative List and Account Activity Thresholds enabled by the FedNow Participant.

2.0 Additional Processing Options

- 2.1 Additional Processing Options may be enabled, disabled and adjusted by (i) FedNow Participants through following the Reserve Banks' processes as prescribed in the FedNow Service's operating procedures; or (ii) the Reserve Banks on the FedNow Participants' behalf.
- 2.2 The FedNow Service application will perform a business validation check against the FedNow Participant's Additional Processing Options in accordance with the FedNow Service's operating procedures. This check is designed only to (i) validate that Additional Processing Options have been enabled for use with the routing number identifying that FedNow Participant in the Message; (ii) identify, with respect to a Negative List, an Entry Pair in an Instant Payment Message if a routing number and account number included in the Message precisely match the Entry Pair and are located in the proper fields within the Message; and (iii) calculate, with respect to Account Activity Thresholds, values to determine whether a threshold has been exceeded.
- 2.3 If an Instant Payment Message fails a business validation check by the FedNow Service due to a Negative List enabled by either the sending or receiving

FedNow Participant, or an Account Activity Threshold applied to the sender's account, the Reserve Banks will reject the Instant Payment Message.

- 2.4** The Reserve Banks may not perform a business validation check against an Additional Processing Option if the FedNow Service is experiencing an operational issue or if the Additional Processing Option is bypassed because the time limit has expired, as described in the FedNow Service's operating procedures. FedNow Participants authorize and instruct the Reserve Banks to continue processing Instant Payment Messages for that participant if the business validation check against its Additional Processing Options is unavailable for any reason.
- 2.5** If an Additional Processing Option is unavailable for any reason the Reserve Banks will endeavor to provide information sufficient for a FedNow Participant to know which Instant Payment Messages it sent or received were not checked against the Additional Processing Option. The Reserve Banks will endeavor to provide this information following the end of the FedNow Service Funds Transfer Business Day on which the Additional Processing Option was unavailable.
- 2.6** The Reserve Banks assume no responsibility for monitoring whether a FedNow Participant uses Additional Processing Options or for monitoring or validating a FedNow Participant's selection of Entry Pairs or any criteria associated with an Additional Processing Option.
- 2.7** The Reserve Banks reserve the right to add or remove entries from a Negative List, and to add or remove Account Activity Thresholds, for any reason, including to improve processing efficiency of the FedNow Service or to address other operational issues.
- 2.8** A Negative List, each Entry Pair, and any criteria associated with an Additional Processing Option, must comply with format and other specifications outlined in the FedNow Service's operating procedures and technical specifications.

3.0 Maintenance of the Negative List

- 3.1** A FedNow Participant may only submit an Entry Pair using a routing number and account number pair associated with another FedNow Participant.
- 3.2** Each FedNow Participant is permitted to update its Negative List by adding or removing Entry Pairs, as prescribed in the FedNow Service's operating procedures. The FedNow Participant is responsible for ensuring its Entry Pairs remain current and consistent with its own risk policies.
- 3.3** A FedNow Participant's updates to a Negative List will be effective only after the Reserve Banks have received instructions from a FedNow Participant in accordance with the FedNow Service's operating procedures and the FedNow Service has successfully processed the change.

- 3.4** Each FedNow Participant that enables a Negative List shall (i) respond to inquiries from another FedNow Participant about an Entry Pair affecting Instant Payment Messages sent by or to that other FedNow Participant; and (ii) reassess the need for an Entry Pair to be included on the Negative List if the FedNow Participant learns that inclusion of the Entry Pair on a Negative List is unduly causing Instant Payment Messages to be rejected.

4.0 Maintenance of Account Activity Thresholds

- 4.1** For each Account Activity Threshold, certain elements must be selected to set the applicable criteria, as outlined in the FedNow Service's operating procedures, including: criteria type (cumulative value or velocity); criteria value (dollar amount or number of messages); timeframe (the period for which the threshold is calculated); and segment code (a predefined code indicating the customer population to which the threshold is applied). Account Activity Thresholds will apply only if the Message includes a code that exactly matches the segment code submitted by the FedNow Participant. The FedNow Service's operating procedures describe the method for calculating thresholds, including the applicable rounding rules.
- 4.2** In certain cases, the Reserve Banks will automatically populate default criteria to establish Account Activity Thresholds for FedNow Participants. Such default criteria may be disabled or adjusted by the FedNow Participant in accordance with the FedNow Service's operating procedures.
- 4.3** As further described in the FedNow Service's operating procedures, an Account Activity Threshold becomes effective within a reasonable time after the required criteria are submitted. Data used to determine whether a threshold value has been exceeded includes transactions settled during the selected timeframe, and those currently in progress. If transactions in progress are later rejected, then going forward, they will be removed from the data set used for determining whether a threshold has been exceeded.
- 4.4** As described in the FedNow Service's operating procedures, sufficient historical transaction data for the applicable timeframe for each Account Activity Threshold must be available for the FedNow Service to calculate whether a threshold has been exceeded during that timeframe.
- 4.5** During a period in which Account Activity Thresholds are unavailable for any reason, data from transactions sent during that period may not be available for use in determining whether a threshold has been exceeded. FedNow Participants acknowledge that during those periods data used to determine whether any threshold has been exceeded may not include all settled transactions.
- 4.6** FedNow Participants acknowledge that in certain circumstances, due to the velocity of Messages processed by the FedNow Service, the Reserve Banks may

not be able to determine the specific set of transactions that caused a threshold to be breached.

5.0 Relation to the Reserve Banks' Security Procedures and Other Information Security Requirements

- 5.1** The Additional Processing Options outlined in this appendix do not vary the Reserve Banks' security procedures described in this operating circular.
- 5.2** Nothing in this appendix constitutes an agreement or instruction restricting a Reserve Bank's choice to accept a payment order, as described in section 4A-202(b) of the Uniform Commercial Code.
- 5.3** Nothing in this appendix relieves a FedNow Participant from its responsibility for developing controls to manage risks associated with sending or receiving payment orders through the FedNow Service or for complying with any information security or risk management requirements applicable to them.

6.0 Reserve Bank Liability

- 6.1** The Reserve Banks are not liable for any loss or damage resulting from an Additional Processing Option being unavailable for any reason.
- 6.2** The Reserve Banks are not liable for loss or damage resulting from a problem beyond their reasonable control. This includes, but is not limited to, loss or damage resulting from any delay, error, or omission in the transmission of any information between a FedNow Participant and the Reserve Banks and loss or damage resulting from the acts or omissions of internet service providers. The Reserve Banks are also not liable for loss or damage resulting from acts of war, riots, civil unrest, strikes, labor disputes, acts of terrorism, acts of God, or acts of nature.
- 6.3** Nothing in this appendix otherwise relieves a Reserve Bank from responsibility under this operating circular for its own failure to exercise ordinary care or to act in good faith in providing the Additional Processing Options described in this appendix. A Reserve Bank's liability under this appendix is strictly limited to damages proximately suffered by a FedNow Participant and does not extend to lost profits, claims by third parties, or consequential or incidental damages even if the Reserve Bank had been informed of the possibility of such damages.

Appendix E: Network Intelligence

Network Intelligence provides FedNow Participants with account level data in support of their fraud mitigation efforts and for other permitted purposes. The data is accessible via an API and this Appendix E, along with the API Service terms described in Operating Circular 5, set forth the terms under which such data may be received. By accessing the Network Intelligence API, FedNow Participants acknowledge and agree to comply with and be bound by the terms and conditions of this Appendix E.

1.0 DEFINITIONS

Unless otherwise stated in this Appendix E, a term defined in the body of the Reserve Banks' Operating Circular 8, including definitions incorporated therein, has the same meaning in this Appendix E. For purposes of this Appendix E:

- 1.1 **Consumer Report** means "consumer report" as such term is defined in the Fair Credit Reporting Act, 15 USC 1681 et seq.
- 1.2 **Consumer Reporting Agency** means "consumer reporting agency" as such term is defined in the Fair Credit Reporting Act, 15 USC 1681 et seq.
- 1.3 **API Output** means certain data made available by the Reserve Banks for the purpose of assisting FedNow Participants in their independent assessment of the risk associated with a potential FedNow transaction. The data set available as API Output is described in the Technical Specifications for the Network Intelligence API.
- 1.4 **Network Intelligence User** means any FedNow Participant accessing the Network Intelligence API or any Service Provider accessing the Network Intelligence API on behalf of their FedNow Participant NI Customers.
- 1.5 **FedNow Participant NI Customer** means a specific, identifiable FedNow Participant customer of a Service Provider that has authorized the Service Provider to act on its behalf.
- 1.6 **Network Intelligence API** means the application programming interface used to provide and receive the API Output.
- 1.7 **Technical Specifications** means technical, data set and other information on the features and use of the Network Intelligence API, as issued by the Reserve Banks from time to time in various documents that the Reserve Banks may make available, including the FedNow Service's Operating Procedures.

2.0 GENERAL

- 2.1 The Network Intelligence API is designed to provide information that a Network Intelligence User may find useful in conjunction with its own risk mitigation program, subject to certain use restrictions described in this Appendix E and the Technical Specifications.

- 2.2** API Output will be accessible only through the Network Intelligence API. Access to the Network Intelligence API will be governed by the Reserve Banks' Operating Circular 5, which includes terms applicable to the access and use of APIs through an Electronic Connection. The Network Intelligence API is a Reserve Bank API and the API Output is Reserve Bank Data for purposes of Operating Circular 5.
- 2.3** Notwithstanding Section 2.2, and subject to the terms of this Appendix E, the API Output may be stored in databases or cached as necessary or appropriate.

3.0 LICENSE GRANT

- 3.1** The Reserve Banks grant a limited, non-exclusive, non-transferable, non-assignable, non-sublicensable and revocable worldwide license to Network Intelligence Users to use the API Output for a purpose permitted under Section 4 of this Appendix E, subject to the terms and restrictions contained or referenced in this Appendix E.

4.0 RESTRICTIONS ON USE OF THE API OUTPUT; PUBLICITY

- 4.1** A Network Intelligence User may use the API Output only to assist the Network Intelligence User, or their FedNow Participant NI Customer(s), in connection with one of the following:
 - 4.1.1** Assessing the risk of a potential FedNow transaction, in relation to the routing of a payment transaction; or
 - 4.1.2** Evaluating whether the sender or receiver account involved in a potential FedNow transaction is held by the intended party.
- 4.2** All rights in the API Output not specifically granted in this Appendix E to a Network Intelligence User are reserved to the Reserve Banks. Network Intelligence Users may not use the API Output for any purpose other than those set forth in Section 4.1, and subject to the other terms of this Appendix E.
 - 4.2.1** The API Output may be used only to identify potential transactions for further review. A decision whether to proceed with a potential transaction involving an individual must be based on information other than the API Output, which may include predefined parameters used to facilitate payment routing in accordance with a broadly applicable risk-based policy.
 - 4.2.2** The Reserve Banks reserve the right to further restrict use or prohibit further use of the API Output upon written notice to a Network Intelligence User.
 - 4.2.3** A Network Intelligence User may call the Network Intelligence API only in connection with the fraud or risk mitigation efforts associated with a specific potential FedNow transaction to which the Network Intelligence User, or their FedNow Participant NI Customer, is a party.
- 4.3** A Network Intelligence User shall not assert or make any statement to any third party indicating or implying that the API Output, the Network Intelligence API, or the

Reserve Banks are the reason for denial of services to an individual or group of individuals. Nothing in this Section should be interpreted as preventing compliance with disclosures mandated by law, regulation or valid legal process.

- 4.4 Network Intelligence Users understand that the API Output, and any reports containing the API Output, are not designed as Consumer Reports. Network Intelligence Users represent and warrant that they will not, and will not permit or enable any third party to, use any data received from the Reserve Banks as a Consumer Report or in such a manner that such data may be deemed to be a Consumer Report.
- 4.5 Network Intelligence Users may not incorporate the API Output into products distributed as a Consumer Report.
- 4.6 Network Intelligence Users acknowledge and agree that the Reserve Banks are not Consumer Reporting Agencies nor furnishers of information to Consumer Reporting Agencies. Network Intelligence Users shall notify the Reserve Banks as soon as practicable in the event that the Network Intelligence User becomes aware of any person asserting otherwise.

5.0 TRANSMISSION OF INFORMATION; SERVICE PROVIDERS; INACCURATE INFORMATION

- 5.1 Network Intelligence Users are required to share certain information with the Reserve Banks when calling the Network Intelligence API, as specified in the Technical Specifications. Each time a Network Intelligence User shares such information, such Network Intelligence User represents and warrants that it (1) has obtained all necessary consents and made any and all required related customer disclosures in connection with the use and disclosure of such information; and (2) represents and warrants that it is duly authorized to disclose such information to the Reserve Banks, and the Reserve Banks are authorized to use and disclose the information in any manner permitted under Section 7.3 of the Reserve Banks' Operating Circular 1, in each case without further consent of or disclosure to any person.
- 5.2 Service Providers may call the Network Intelligence API only as agent for their FedNow Participant NI Customers. Each time a Service Provider calls the Network Intelligence API, the Service Provider represents and warrants that it is duly authorized by its FedNow Participant NI Customers to provide such information to the Reserve Banks.
- 5.3 Network Intelligence Users must disclose to the Reserve Banks any FedNow Participant NI Customers on whose behalf they intend to call the Network Intelligence API.
- 5.4 A Network Intelligence User shall notify the Reserve Banks as soon as practicable if it or its Service Provider becomes aware of any allegations of inaccurate information reflected in the API Output. Each Network Intelligence User shall use reasonable efforts to: (1) investigate inquiries from customers and any other persons or entities

regarding any such alleged inaccurate information; and (2) assist such persons or entities in their investigation and remediation of any such alleged inaccuracies.

6.0 THIRD-PARTY DATA SHARING

- 6.1** A Network Intelligence User may not share the API Output with any third party except where (1) the third party has entered into an agreement with the Network Intelligence User to provide risk mitigation services for the Network Intelligence User or for the Network Intelligence User's FedNow Participant NI Customer on whose behalf they have accessed the API Output; and (2) the information is necessary or helpful in the provision of such services.
- 6.2** Prior to a Network Intelligence User sharing any the API Output as permitted under this Appendix E to a third party, the Network Intelligence User must require the third party to agree to the same terms imposed on the Network Intelligence User under this Appendix E as if the third party was a Network Intelligence User.
- 6.3** Network Intelligence Users must use commercially reasonable efforts to ensure that, except as permitted under this Appendix E, the API Output will not be accessed, used, copied, reproduced, published or transferred to any third party without the prior written consent of the Reserve Banks.
- 6.4** Notwithstanding any limitations in this Appendix E, a Network Intelligence User may share the API Output with the FedNow Participant NI Customer on whose behalf it has accessed the API Output.

7.0 INTELLECTUAL PROPERTY MATTERS

- 7.1** Each Network Intelligence User acknowledges and agrees that the Reserve Banks hold valuable rights and title in and to their original works of authorship in data which has been selected, arranged and organized through application of methods and standards of judgment. These rights of the Reserve Banks, including rights in the Network Intelligence API and the API Output, are and shall at all times belong to and remain proprietary to the Reserve Banks, and such Network Intelligence User shall not, and shall not permit any of its FedNow Participant NI Customers to, contest the Reserve Bank's rights, title or interest in or to any of the foregoing. All uses of such data, the Network Intelligence API and the API Output by the Network Intelligence User or the FedNow Participant NI Customers shall inure solely to the benefit of the Reserve Banks. Each Network Intelligence User shall promptly notify the Reserve Banks upon learning of any claims or complaints relating to the license granted by the Reserve Banks or the use of any such data, the Network Intelligence API and the API Output.
- 7.2** Nothing in this Appendix E is intended to transfer any rights of ownership or other interest in data to any Network Intelligence User or other third party except for the license and use rights granted by this Appendix E.

8.0 COMPLIANCE AND AUDIT

- 8.1** Each Network Intelligence User shall have a program in place to ensure compliance with the limitations on permitted use of the API Output, as set forth in this Appendix E. Each Network Intelligence User shall either establish a new compliance program or augment an existing compliance program, policies or procedures (to the extent necessary) to include or provide for at least the following:
 - 8.1.1** Written policies and procedures to ensure compliance with this Appendix E;
 - 8.1.2** Written policies and procedures to address complaints from consumers regarding accuracy of data and for escalating such complaints to the Reserve Banks;
 - 8.1.3** Training programs for employees and/or other representatives with access to, or responsibility over the use of, the API Output;
 - 8.1.4** Recordkeeping reasonably designed to evidence compliance with this Appendix E; and
 - 8.1.5** Incorporation into the Network Intelligence User's standard ongoing audit plans.
- 8.2** At any time but no more frequently than once per year, the Reserve Banks may require an audit report from a third-party auditor acceptable to the Reserve Banks regarding each Network Intelligence User's compliance with this Appendix E. Each Network Intelligence User agrees to cooperate with and provide access to its applicable systems, records, personnel and FedNow Participant NI Customer(s) as reasonably required by such auditor in conducting its audits of such Network Intelligence User pursuant to this Section 9.2. Such audits shall be conducted at the expense of the Network Intelligence User.
- 8.3** As a condition to providing access credentials, the Reserve Banks may request an affirmation of understanding and compliance with this Appendix E from any individual seeking to access the Network Intelligence API on behalf of the Network Intelligence User.

9.0 INDEMNIFICATION

- 9.1** Each Network Intelligence User shall indemnify, defend, and hold the Reserve Banks harmless against any claim, loss, harm, or cost (including reasonable attorneys' fees and expenses of litigation) resulting from the acts or omissions of the Network Intelligence User, or their FedNow Participant NI Customer(s), in connection with the Network Intelligence User's use of the API Output, or a Reserve Bank's acts or omissions in carrying out the instructions of the Network Intelligence User, including claims under the Fair Credit Reporting Act.

10.0 LIMITATION OF LIABILITY

- 10.1** The Reserve Banks are not liable for any loss or damage arising or resulting from the Network Intelligence API being unavailable at any time or for any reason. The

Reserve Banks may be liable to a Network Intelligence User only for their failure to exercise ordinary care or act in good faith in providing the Network Intelligence API. The Reserve Banks are not liable to a Network Intelligence User for any loss or damage resulting from its decision on whether to make or how to route a payment transaction for which it has received the API Output, and such decision does not affect whether the Reserve Banks have exercised ordinary care and acted in good faith in providing the Network Intelligence API. The maximum potential amount of the Reserve Banks' liability to a Network Intelligence User under this Appendix E is strictly limited to the fees for the Network Intelligence API paid to the Reserve Banks by the Network Intelligence User during the month in which the occurrence giving rise to the liability is alleged to have occurred. Any legal action or proceeding against the Reserve Banks with respect to the Network Intelligence API or the API Output must be initiated within one year from the date of the occurrence that gives rise to the claim.

- 10.2** The Reserve Banks make no warranty, express or implied, as to the Network Intelligence API or the API Output, including regarding matters of title, the presence, absence or occurrence of, any errors, omissions, or inaccuracies, or as to a risk assessment or other output obtained or created by any Network Intelligence User or their FedNow Participant NI Customer arising from access to or use of the API Output.
- 10.3** The API Output is provided "as is" and on an "as available" basis with all faults known and unknown. The API Output contains information as of the moment disclosed to the Network Intelligence User and the Reserve Banks will have no obligation to update, correct, or maintain as current any previously provided data or to advise Network Intelligence Users of any changes. The Reserve Banks expressly disclaim all warranties regarding the API Output and the Network Intelligence API, including the implied warranties of merchantability, accuracy, non-infringement and fitness for a particular purpose.
- 10.4** The Reserve Banks shall not be liable for the indirect, incidental, special, punitive, or consequential damages with respect to the use and/or provision of the API Output and/or the Network Intelligence API, including without limitation loss of data or lost profits, regardless of whether or not such damages could have been foreseen or prevented.

11.0 RELATION TO THE RESERVE BANKS' SECURITY PROCEDURES AND OTHER INFORMATION SECURITY REQUIREMENTS

- 11.1** The Network Intelligence API does not (i) vary the Reserve Banks' security procedures described in the Reserve Banks' operating circulars; (ii) establish any agreement or instruction restricting a Reserve Bank's acceptance of payment orders, as described in Section 4A-202(b) of the Uniform Commercial Code; or (iii) relieve a Network Intelligence User from its responsibility for developing controls to manage risks associated with sending or receiving Messages through the FedNow Service.

12.0 TERMINATION

- 12.1** The Reserve Banks may terminate this Appendix E and/or restrict a Network Intelligence User's access to the Network Intelligence API at any time without notice.
- 12.2** Within thirty days of receiving a written request from a Reserve Bank, the Network Intelligence User shall use commercially reasonable efforts to destroy all copies of the API Output in its possession or control, the possession or control of each of its FedNow Participant NI Customers, and the possession or control of any third party with which the Network Intelligence User has shared the API Output, together with all excerpts of or extracts of the API Output, subject to customary exclusions for data in backup or archival systems which may not practically be deleted. Any information derived from the API Output remaining in the possession or control of a Network Intelligence User after termination will continue to be subject to this Appendix E.