THE FEDERAL RESERVE Financial Services | FedNow INSTANT PAYMENTS

FedNow® Service

AN INSTANT PAYMENTS INFRASTRUCTURE SUPPORTING 24x7x365 TRANSACTIONS

The FedNow Service is a safe and efficient instant payments platform that operates around the clock, 365 days a year. It enables financial institutions of all sizes to offer customers the ability to send and receive money immediately, providing receivers immediate access to funds. Through the service, funds settle between participating financial institutions instantly, which means there's no buildup of interbank obligations or short-term credit risk.

Financial institutions can use the FedNow Service to stay competitive, improve customer experience, grow revenue and meet the increasing demand for instant payments.

INSTANT PAYMENTS PROVIDE MANY BENEFITS

The FedNow Service provides a range of use cases and benefits to financial institutions, individuals and businesses.

Financial institutions: Remain competitive, create new products and meet the needs of customers

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

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

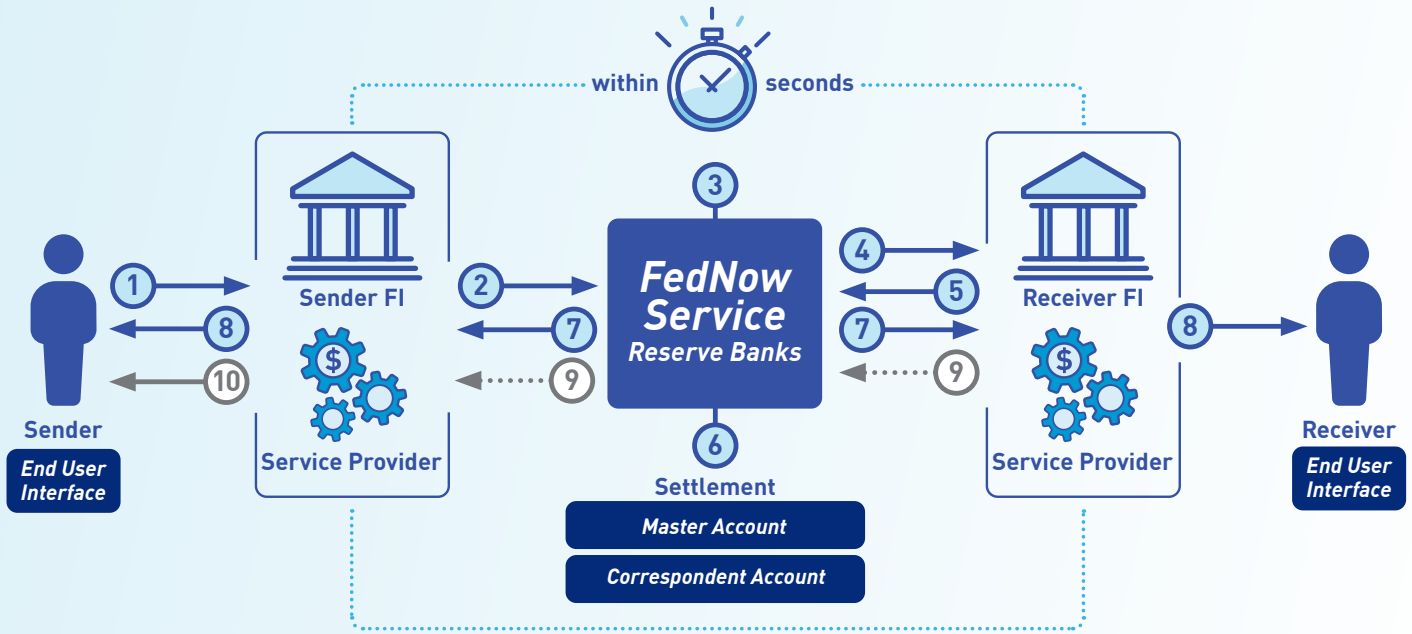
The FedNow Service uses widely accepted ISO® 20022 message standards and best practices to promote nationwide reach for instant payments and support routing interoperability with other instant payment services. The service is use-case agnostic and can support a wide variety of use cases with innovation by the industry, including me-to-me transfers, payroll and earned wage access, real estate transactions, insurance claim payouts, auto loan funding and more. Future releases of the service may have additional features and functionality to enable financial institutions to offer even more use cases to their customers.

PARTICIPATION TYPES

The FedNow Service offers the flexibility to choose almost any combination of participation types within the solution to meet business requirements. Two popular participation types include:

Send and receive customer transfers: Financial institutions (or providers on their behalf) can send and receive credit transfers, return customer payment messages, and may choose to send or receive requests for payment (RFPs).

Receive customer credit transfers: Financial institutions (or providers on their behalf) can receive customer credit transfers, initiate payment returns upon request from a sender, and opt in to sending RFPs, but cannot send customer transfers or receive RFPs.



STANDARD PAYMENT FLOW

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

1. A sender (i.e., an individual or business) initiates a payment by sending a payment message to its financial institution through an end user interface outside the FedNow Service. The sender's financial institution is responsible for screening the payment according to its internal processes and requirements.
2. The sender's financial institution, or its service provider, submits a payment message to the FedNow Service.
3. The FedNow Service validates the payment message, for example, by verifying that it meets message format specifications.
4. The FedNow Service sends the contents of the payment message to the receiver's financial institution to seek confirmation that it intends to accept the payment message. At this point, the receiver's financial institution has the opportunity to confirm, among other things, that it maintains the specified account.
5. The receiver's financial institution sends a positive response to the FedNow Service, confirming that it intends to accept the payment message. **NOTE:** Steps 4 and 5 are intended to reduce the number of misdirected payments and resulting exception cases that can occur in high-volume systems.
6. The FedNow Service debits and credits the designated master accounts of the sender's and receiver's financial institutions (or those of their correspondents), respectively.
7. The FedNow Service sends a payment message forward to the receiver's financial institution with an advice of credit and sends an acknowledgement to the sender's financial institution that settlement is complete.
8. Outside of the FedNow Service, the receiver's financial institution credits the receiver's account.* The receiver's financial institution makes funds available to the receiver immediately after step 7. This crediting to the receiver's account as well as the debiting of the sender's account by their respective financial institutions happens outside the FedNow Service.*

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

HOW IT WORKS

CONNECT
Financial institutions can access the FedNow Service directly via FedLine Solutions® or through one or more third-party service providers.

SETTLE
Participants may settle payments in their own master account or that of a correspondent. Settlement does not require prefunding.

SEND
The network transaction limit is $10 million. Participants can set lower transaction limits based on internal parameters and needs.

KEY FEATURES AND FUNCTIONALITY CURRENTLY AVAILABLE

RISK MITIGATION TOOLS

FEATURE	DESCRIPTION	BENEFIT
Fraud mitigation tools	Fraud mitigation tools include participant-defined negative lists and the ability to set lower credit transfer limits at the network and participant level.	Aids participants in combating fraudulent activity with these additional layers of protection.
Account activity threshold functionality	Participants can define value and velocity thresholds by customer segment to fit their unique business needs and risk tolerance.	Allows participants to bolster risk management efforts based on different scenarios.
Network intelligence API	Prior to sending a payment, financial institutions can use this API to request data insights to help them better assess the overall fraud risk of a potential transaction.	Complements participants' existing risk management capabilities by adding an extra layer of security and control.
Net send limit	Participants can establish a net send limit (or limits on the total dollar amount of payments, less any funds received) on a subaccount or Other Secondary RTN (OSRTN) within their account structure or a direct respondent FI.	Provides participants with risk mitigation controls to better manage their liquidity risk and master account balances.
COMING SOON! **Payee Name Verification (PNV)**	Participants can verify an intended payee's name with an account prior to issuing an instant payment.	Assists customers in reducing fraud and misdirected payments.

OPERATIONAL TOOLS

FEATURE	DESCRIPTION	BENEFIT
FedNow interface on FedLine Solutions	Through the user interface, participants can configure their user profiles, broadcast participant availability and view balance information on a 24x7x365 basis.	Provides an enhanced experience for participants to support instant payments in real time.
FedNow DevRel resource	The FedNow Service offers a developer relations resource that financial institutions and service providers can access using their FedLine Solutions credentials.	Allows participants to easily browse, search and download information to help them build, implement and maintain their instant payment technology with the FedNow Service.

OPERATIONAL TOOLS (continued)		
FEATURE	**DESCRIPTION**	**BENEFIT**
Support for exception processes	The service facilitates end-to-end nonvalue ISO 20022 messages (such as request for return, request for information and request for status) to support exception and return process management.	Communicates the status of any exceptions or returns that occur throughout a transaction flow.
Informational APIs (Application Programming Interfaces)	FedNow offers a suite of informational APIs that allows participants to request information via API and receive responses from the FedNow Service.	Offers participants a modern way to programmatically receive data with a seamless request.
Transaction-level reporting	Participants and their correspondents can receive reporting for transaction monitoring, account balance inquiries and reconciliation as well as additional activities. These include account activity totals, account balance and account activity details reports.	Facilitates participants' management and monitoring of their FedNow Service activity.
Customer Testing Tool	A self-service tool that allows participants to independently test receiving payments.	Helps participants test new functionality with ease.

LIQUIDITY TOOLS		
FEATURE	**DESCRIPTION**	**BENEFIT**
Liquidity management transfers (LMTs)	The FedNow Service enables financial institutions to transfer funds to each other to support instant payment liquidity needs. Liquidity management transfers are available 24x7 and the LMT transaction limit is $500 million.	Enables efficient liquidity management in a 24x7x365 operating environment.

GET READY FOR THE FEDNOW SERVICE

To stay informed and get details on joining the FedNow Service, visit FedNowExplorer.org.

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