



## **AN INSTANT PAYMENTS INFRASTRUCTURE SUPPORTING 24x7x365 TRANSACTIONS**

The Federal Reserve has developed the FedNow Service to be a safe and efficient instant payments infrastructure 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 no buildup of interbank obligations or short-term credit risk.

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

## **MODERNIZING THE U.S. PAYMENTS INFRASTRUCTURE**

The FedNow Service modernizes the U.S. payments infrastructure and 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 launched with a focus on core capabilities and value-added features that meet market needs and help FIs transition to a 24x7x365 instant payment service. Additional functionality is being deployed in phases.

The FedNow Service uses widely accepted ISO<sup>®</sup> 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, consumer-to-business bill pay, payroll and earned wage access, real estate transactions and more. Future releases of the service may have additional features and functionality to enable FIs to offer additional use cases to their customers.

## KEY FEATURES AND FUNCTIONALITY CURRENTLY AVAILABLE

FEATURE	DESCRIPTION	BENEFIT
<b>Settlement flexibility for correspondent relationships</b>	Participants may settle payments through the FedNow Service in the master account of a correspondent FI. Correspondents can receive real-time notifications when debits or credits are settled in their account as well as reporting for their respondent's activity.	Facilitates access to the FedNow Service for eligible FIs that wish to settle using a correspondent or those that may not have a master account.
<b>Settlement in FI's master account</b>	Settlement occurs in the participant's master account and does not require any prefunding. Notifications (e.g., advices and acknowledgements) are provided to the participants in real time.	Provides assurance that all payments are complete, final and irrevocable.
<b>Liquidity management transfers</b>	Transfers in support of instant payment liquidity needs can be enabled between the Federal Reserve Bank master accounts of two FedNow participants or between a participant's master account and a joint account that backs a private-sector instant payment service. Traditional liquidity providers that support participants in the service and the private-sector service can also use these transfers. Limits for liquidity transfers exceed the customer credit transfer limit so that participants can maintain adequate funds in their accounts at all times.	Enables efficient liquidity management in a 24x7x365 operating environment.
<b>Transaction-level reporting</b>	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.
<b>Fraud mitigation tools</b>	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.
<b>Maximum transaction value limit</b>	The credit transfer transaction value limit is \$500,000, which will increase to \$1 million in June 2025. Participants have a default limit of \$100,000, with the option to adjust it up or down.	Supports a variety of payment needs while limiting the size of potentially fraudulent transactions.
<b>Request for payment (RFP)</b>	FIs, businesses and individuals can request payment from a recipient.	Facilitates a variety of transactions and supports widespread use of instant payments, such as for bill payment.
<b>Support for exception processes</b>	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.
<b>Access through FedLine® Solutions</b>	Participants access the FedNow Service through FedLine Solutions, which is enhanced to support the service's 24x7x365 processing.	Leverages an existing secure network and streamlines onboarding processes.
<b>FedNow interface on FedLine Solutions</b>	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.

FEATURE	DESCRIPTION	BENEFIT
<b>FedNow DevRel resource</b>	The FedNow Service offers a tech-centric 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.
<b>Correspondent net send limits</b>	Correspondents who have an active FedNow participant profile can establish net send limits (or limits on the total dollar amount of payments, less any funds received) for each of their direct respondents, at the respondent financial institution level.	Provides correspondents with liquidity management controls to support better management of their master account balances, while also offering an additional risk mitigation layer for respondents.
<b>Informational APIs (Application Programming Interfaces)</b>	Informational APIs allow participants to exchange data with the FedNow Service. See Operating Procedures section, FedNow Service Messaging - APIs, for a list of the messages supported by API.	Offers participants a modern way to programmatically exchange data with a seamless request and response.
<b>AVAILABLE June 2025</b>		
<b>Account activity threshold functionality</b>	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.

## PARTICIPATION TYPES

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

**Send and receive customer transfers:** FIs (or providers on their behalf) can send and receive credit transfers; send requests for payment (RFP) and, optionally, receive RFPs; and return customer payment messages.

**Receive customer credit transfers:** FIs (or providers on their behalf) can choose to receive customer credit transfers and send RFPs, as well as initiate payment returns upon request from a sender, but cannot send customer transfers.

## FI TRANSFERS

The FedNow Service supports FIs acting as a correspondent for settlement or FIs facilitating liquidity transfers.

**Settlement services:** Designed for correspondent institutions who settle transactions on behalf of their respondents, but do not wish to send or receive transactions via the FedNow Service. Special reports and notifications support near-real-time monitoring of respondent activity by RTN.

**Liquidity management transfers:** FIs (or providers on their behalf) can send credit transfers in support of instant payment liquidity needs. These transfers may occur between the master accounts of two FedNow participants or between a participant's master account and a joint account backing a private-sector instant payment service.



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

*\*The FedNow Service processes payments around the clock, every day of the year. However, for accounting and reporting purposes, the FedNow cycle date 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 timeframe for weekends and holidays.*

### Get ready for the FedNow Service

To stay informed and take steps now to prepare your organization for the FedNow Service, visit [FedNowExplorer.org](https://FedNowExplorer.org).

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