



Settlement Through the FedNow Service

One of the benefits of the FedNow Service is that payment messages clear and settle between financial institutions (FIs) in real time.

The FedNow Service settles payments to a participating FI's Federal Reserve Bank master account — or the master account of its correspondent (including bankers' banks and corporate credit unions). Settlement through the service is final.

This section includes information about settlement through the FedNow Service including:

- **Designating routing transit numbers (RTNs) to send and receive messages and to settle transactions**
 - » **Mapping to a master account RTN for settlement**
 - » **Using primary/master account RTNs, subaccount RTNs or other secondary RTNs for FedNow activity**
- **Managing account balances and reconciling activity**
 - » **FedNow Service-specific reports that are available**
 - » **The Federal Reserve Banks' standard reports that are updated to include FedNow activity**
- **Correspondent/respondent relationships**
 - » **Settlement configurations**
 - » **Reporting options for all parties**

Designating RTNs to Send and Receive Messages and to Settle Transactions

During the FedNow Service onboarding process, FIs can designate the specific RTN(s) enabled to send messages and the RTN(s) enabled to receive messages, including the master account RTN, primary RTN (for those who do not maintain a master account) or secondary RTNs (either subaccount RTN or other secondary RTN).

Each FedNow-enabled RTN is mapped to a single settlement point — the master account of either the participating FI or that of a correspondent — based on instructions from the participating FI (and agreement by its correspondent, if any) and using the Federal Reserve Banks' accounting applications. FedNow Service participants do not need to fund a separate account to settle FedNow activity.

Managing Account Balances and Reconciling FedNow Activity

FedNow participants are expected to manage their account in compliance with Federal Reserve policies, including the Payment System Risk (PSR) Policy on intra-day credit and avoiding negative balances at the close of the FedNow cycle date.

Near-real-time reconciliation may be accomplished using the advice/acknowledgement message (ISO message pacs.002) for participants, or the notification of debits/credits (ISO message camt.054) for correspondents who have enabled the feature within their FedNow participant profile.

For tracking and reporting purposes, each transaction is recorded using the RTNs included within the transaction message.

FedNow participants can perform balance inquiries at the master account RTN or subaccount RTN levels. Other secondary RTNs are ineligible for balance inquiries. This information can be accessed via the FedNow interface, IBM MQ or via API.

Available Reports and Balance Inquiries

The Federal Reserve Banks provide a variety of tools and reports to help participating FIs manage their account balances and reconcile FedNow activity.

FedNow Service-specific reports include Account Balance, Activity Totals, Activity Details, Message Status and Message Retrieval.

Additionally, the Federal Reserve Banks' standard accounting reports have been revised to include FedNow activity and are generated seven days a week.

FedNow Reports	 Account Balance	 Activity Totals <i>summary level</i>	 Activity Details <i>detail level</i>
Standard Reports	 Daily Statement of Account <i>summary level</i>	 Financial Institution Reconciliation Data (FIRD) <i>detail level</i>	 Statement of Account in Spreadsheet File (SASF) <i>detail level</i>

For more in-depth information about detailed reports and accounting, please reference the [Reporting and Reconciliation](#) topic.

Correspondent Settlement

As with some other Federal Reserve Financial Services, the FedNow Service supports correspondent/respondent relationships. Organizations can determine if they plan to settle FedNow Service transactions and fees within their own master account or that of their correspondent.

Below are key details that correspondents and respondents should know about settlement:

- Correspondents do not need to have a FedNow participant profile for their respondents to settle against the correspondent's master account.
- Correspondents with a FedNow participant profile that enables them to send or receive messages through the service can obtain Activity Totals and Details reports using the FedNow Service.
- Correspondents set up to send or receive messages should also consider whether they wish to receive real-time notices and reports from the FedNow Service. If a correspondent requests a notice of real-time activity that settles in their account, the FedNow Service provides a notification of such debits or credits [ISO message camt.054].
- Correspondents that have an active FedNow participant profile can establish net send limits for each of their direct respondents at the respondent FI level to both help protect their respondents and manage their own master account balance.

If you are planning to serve as a correspondent to other FIs, you can choose how you would like to participate in the FedNow Service. Reference the quick guide below for additional information.

Quick Guide to Correspondent Participation in the FedNow Service			
	Settlement Without Participant Profile	Settlement Participant	Participant and Settlement
Connectivity	Does not onboard to the FedNow Service	Onboards to the FedNow Service, either directly or via a service provider	
Participation Type	No FedNow Service participant profile created; settles FedNow Service-enabled respondent activity against its own master account	To support the respondent, correspondent establishes a FedNow participant profile with a settlement-only participation type	To support the correspondent's own participation in the FedNow Service, correspondent establishes a FedNow participant profile with a participation type that indicates credit transfer and liquidity management transfer (LMT) capabilities
Reporting	May use Account Management Information reports — Daily Statement of Account, FIRD and SASF — to review activity related to FedNow Service transactions	May enable real-time receipt of notifications of a debit or credit (camt.054) for respondent activity in its master account	
Liquidity Management	Correspondent has the option of permitting or restricting LMT activity by the respondent	Subject to LMT instructions by correspondent to manage respondent LMT participation	
Additional Services	N/A	May act as a service provider for either participant profile management or connectivity, subject to designation by the respondent. A correspondent with an active FedNow participant profile can establish a net send limit for each of its respondents at the financial institution level to help manage liquidity risks	

Financial institutions that wish to establish a correspondent/respondent relationship should refer to Operating Circular 1 and its Appendix 2: Accounting Transaction Settlement and Service Fee authorization form.

This guide may and is likely to change from time to time, including as the Federal Reserve Banks obtain feedback from various stakeholders. The Readiness Guide is not an agreement with the Federal Reserve Banks and is not necessarily reflective of the final terms, operating procedures or other documentation for the FedNow Service.

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