

# Planning for FedNow<sup>SM</sup> Service Adoption

Tom Goodman

Federal Reserve Bank Account Executive

<https://www.frb services.org/contacts/index.jsp>

# AGENDA

FedNow Service Update

Planning for FedNow Service Adoption

FAQs and Q&A

*Payment Successful*  
*Payment Successful*



# What is the FedNow Service?

The FedNow Service is a way for financial institutions of every size and in every U.S. community to provide safe and efficient instant payment services around the clock, 365 days a year.

**Delivers** real-time gross settlement of funds, with integrated clearing functionality, 24x7x365

**Enables** funds transfers, settlement and confirmation of good funds in real time

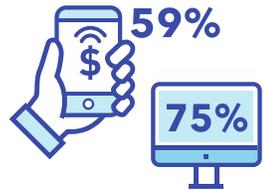


**Offered** to all financial institutions to enable businesses and individuals to send and receive instant payments conveniently

**Supports** a range of use cases

# Growing demand for speed

Demand for instant payments are growing in the United States due to a culture of on-demand services, transparency and fulfillment.



**59%**  
In 2019, 59% of consumers adopted mobile banking and 75% online banking.



**6.7%**  
The growth rate of noncash payments was 6.7% per year from 2015 to 2018.



**1/2**  
In 2019, half of consumers adopted at least one online faster payment method.



**-7%**  
Between 2015 and 2018, checks declined at a compound annual rate of more than 7%.



Electronic payment methods linked to a bank account are used for more than 40% of bill payments by consumers.

Sources: 2019 Federal Reserve Retail Payments Study, 2019 Survey of Consumer Payment Choice, 2019 Diary of Consumer Payment Choice

# Key findings are in: Businesses find value in faster payments



A majority of surveyed businesses consider it important to use faster payments. Nearly two-thirds indicated they would factor access to faster payments into **future decisions on whether to switch banks**.



Businesses want to use faster payments for **quicker access to funds and the ability to post immediately/automatically**. They want immediate notification of payment and remittance details with the payment.



Nine in 10 businesses expect to be able to **initiate and receive faster payments by 2023**; many are ready to do so now.



A majority of the businesses surveyed have **already sent and received some type of faster payment in the past 12 months**, using primarily digital wallets, Same Day ACH and push-to-card.



Use cases of greatest interest to businesses include **e-invoicing and bill pay with remittance details**. These require data and messaging capabilities that instant payment options are well positioned to support.

# Benefits across the entire ecosystem



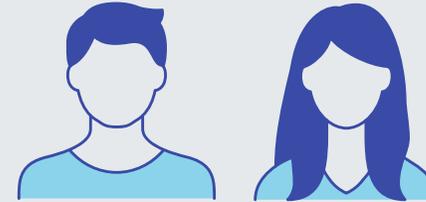
## Service providers

- Create new sources of revenue by developing innovative and exciting products and services for customers.
- Deliver leading-edge services that customers truly want.



## Financial institutions

- Stay competitive and meet customer expectations.
- One single solution for all instant payment needs due to a flexible, neutral platform that supports a variety of use cases.
- The ability to connect directly to the Federal Reserve or work with third-party processors allows for flexibility in implementation.



## Individuals

- Gig economy workers can get paid immediately for work done the same day.
- Available to FedNow participants, no matter with whom they bank.
- Reduce the risk of account overdrafts, late fees or damaged credit scores.
- Greater flexibility and confidence to better manage money and make time-sensitive payments.



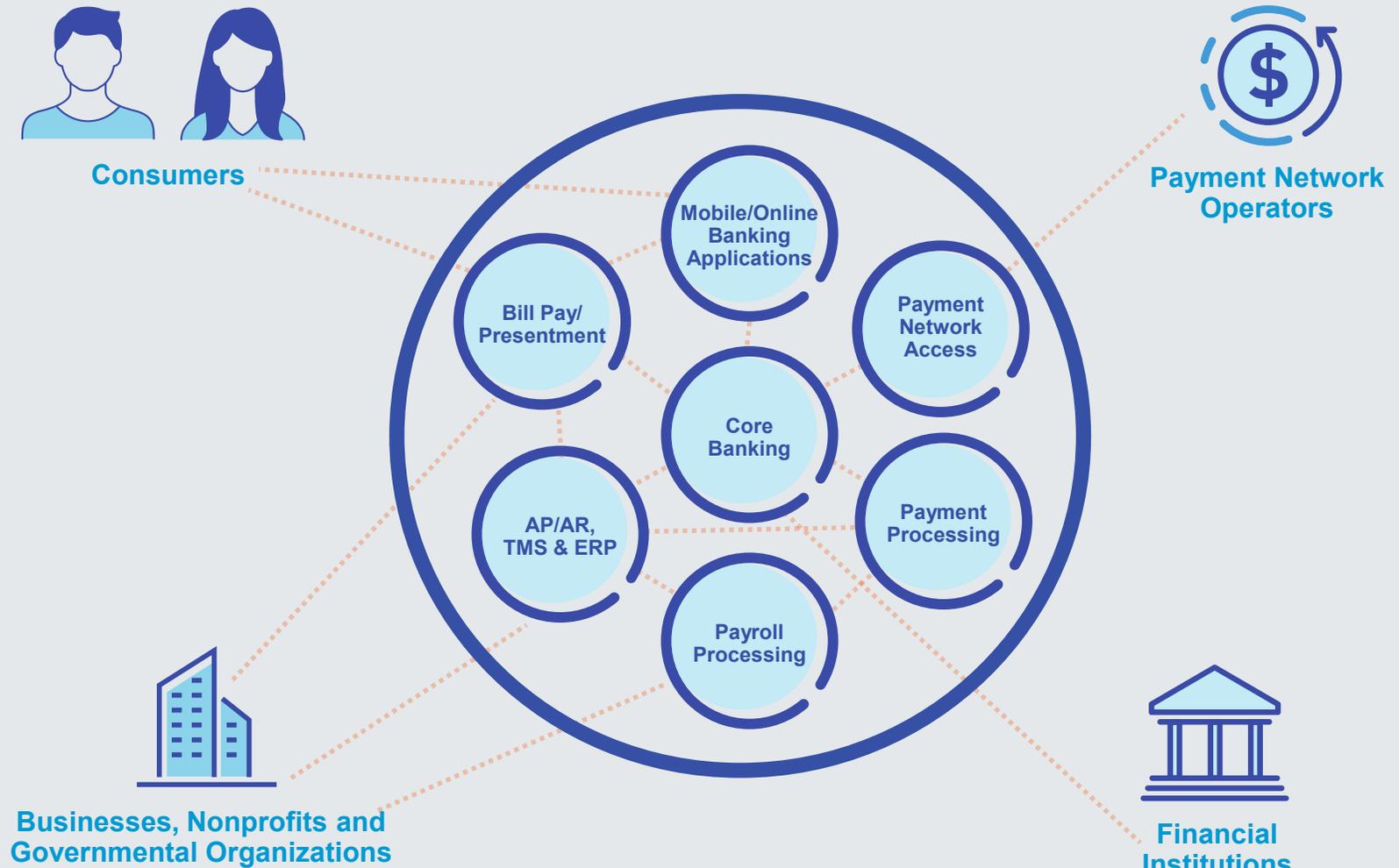
## Businesses

- Avoid complicated cash flow management, overdraft fees and costly short-term loans.
- Reduce or eliminate manual, time-consuming payment processes.
- Determine the date and time of settlement and receive timelier access to funds.
- Small businesses can get paid immediately for work done the same day.

# Collaboration across the entire ecosystem

From end users to third-party service providers, a dynamic network of stakeholders is needed to enable instant payments.

- **Financial institutions**  
Financial institutions can connect directly to the FedNow Service or through their service provider.  
*Includes: Banks, credit unions, savings banks, etc.*
- **Payment service providers**  
Service providers can connect directly into the FedNow Service on behalf of a FedNow participant/financial institution.  
*Includes: Corporate credit unions, banker's banks, core banking, payment hubs/processors*
- **End users**  
End users can enjoy the benefits of instant payments offered by their financial institutions.  
*Includes: Consumers, businesses, merchants/retailers*
- **Other industry providers**  
Other industry providers can work together with financial institutions to create and offer a variety of instant payment solutions.  
*Includes: Digital payment services, challenger banks, Big Tech, fintech, online/mobile banking providers*



# Pilot program: Industry input and collaboration



More than 120 organizations are contributing to the development, testing and adoption of the FedNow Service. Learnings and activities from the program will inform the product build.

## Advisory:

- Further define the service and outline an adoption roadmap
- Develop industry readiness approaches and overall strategy

## Testing:

- Perform test cases and provide feedback
- Identify issues for remediation

## Closed-loop production:

- Send live transactions to other participants
- Participate in resiliency testing
- Validate the end-to-end payments flow



# Preparing your organization for the FedNow<sup>SM</sup> Service

# Resources and engagement



## Sign up for the FedNow Service emails

- [FRBservices.org](https://FRBservices.org) ▶ Financial Services tab ▶ FedNow Service ▶ Sign Up for FedNow Emails

## Join the FedNow Community

- Be part of a national group of experts whom the Fed calls upon for insight: Over 1,600 members from more than 900 organizations
- [FRBservices.org](https://FRBservices.org) ▶ Financial Services tab ▶ FedNow Service ▶ Community ▶ “Join the Community” button ▶ Complete questionnaire ▶ Submit

## Visit FedNowExplorer.org

- FedNow Explorer offers organizations the information and guidance they need to start preparing, mobilizing and innovating for the FedNow Service — right now
- [FedNowExplorer.org](https://FedNowExplorer.org) ▶ Watch our welcome video ▶ Choose your way forward ▶ Take a guided journey or explore the site on your own

## Learn about the Ecosystem Accelerator Group

- Be a catalyst for innovation: The newly launched group is open to all payment service providers within the FedNow Community
- [FedNowExplorer.org](https://FedNowExplorer.org) ▶ Explore the City tab ▶ Community Center ▶ Ecosystem Accelerator Group

# The FedNow Community

## Purpose:

Over **1,600 industry leaders**, representing more than **900 organizations**, have the opportunity to inform and evolve the development of the FedNow Service.

## Engagement opportunities:

- Focus groups
- Working groups
- Surveys
- 1:1 conversations

## Benefits:

- Exclusive invitations to events, first-to-know member communications on FedNow progress and engagement opportunities

## Get involved:

- Join via [FRBservices.org](https://FRBservices.org): Financial Services tab ▶ FedNow Service ▶ FedNow Community ▶ “Join the Community” button ▶ Complete questionnaire ▶ Submit



# Recent industry engagements with the FedNow Community



## Fraud Working Group, May – June 2021

**Objective:** Understand the industry demand, prioritization and needs of ancillary fraud solutions and features offered at launch and the future by the FedNow Service.

## Brokerage Roundtable, June 2021

**Objective:** Discuss brokerage needs and considerations to support instant payments, how to implement A2A use cases, and provide an opportunity to address barriers to instant payment adoption and required changes to operational or business processes.

# New tools and support

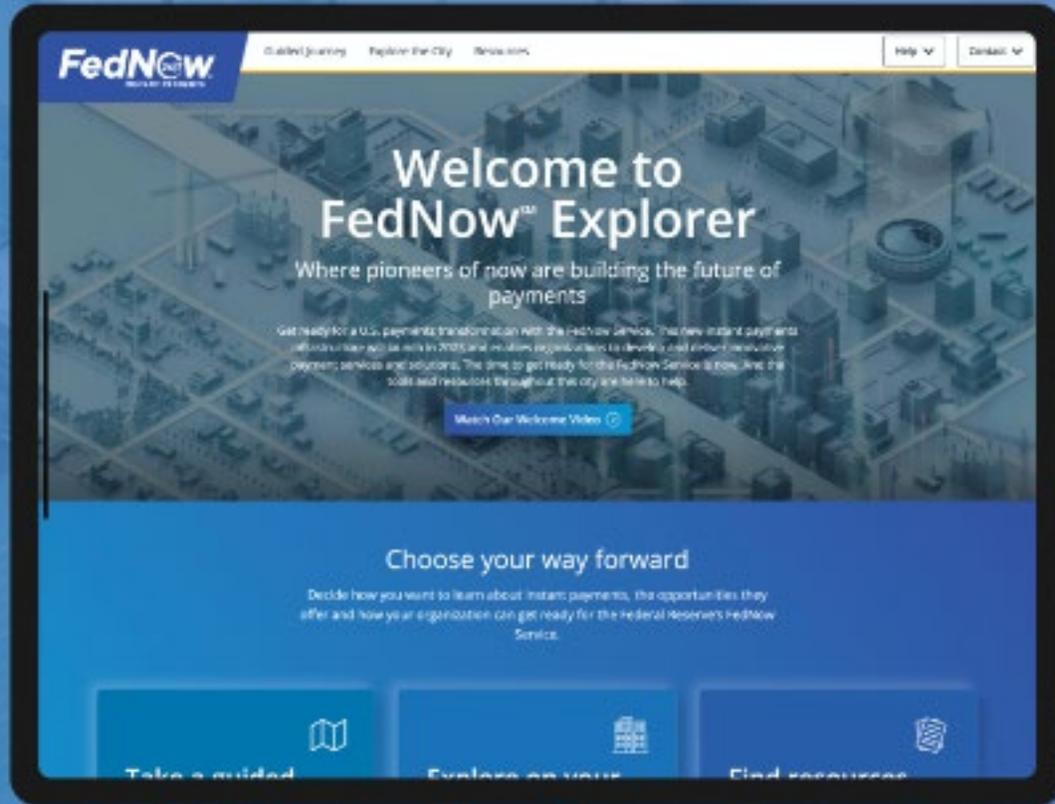
- The Federal Reserve Banks recently launched new resources to facilitate education, preparation and ecosystem innovation in support of instant payments

FedNow  
Explorer

Ecosystem  
Accelerator  
Group

Service Provider  
Showcase

# FedNow Explorer



An experiential platform designed to educate and engage financial institutions and service providers

- Find curated content and business tools to support your instant payments journey
- Visit **FedNowExplorer.org**
- [FedNow<sup>SM</sup> Explorer – Instant Payments Learning & Resources](#)

# Take a guided journey

Answer a few simple questions about your organization and we'll take you through a guided learning journey to get you up to speed on everything you need to know about instant payments, including how to prepare for the launch of the FedNow<sup>SM</sup> Service.

## Who are you?



Financial Institutions



Service Provider to  
Financial Institutions



Solution Provider to  
End Users

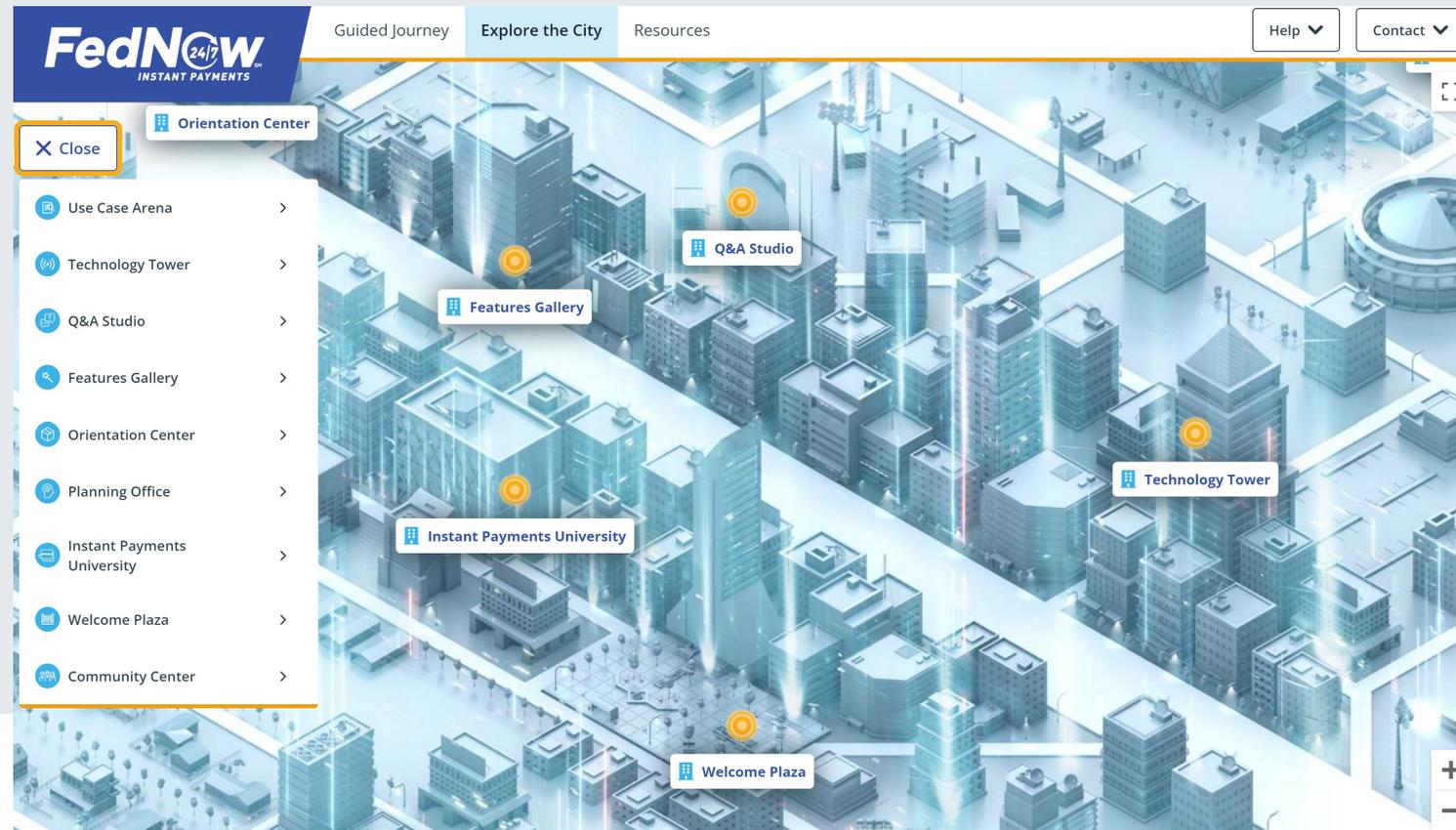
Next →

Want us to guide you through FedNow Explorer?

Answer a few simple questions and we'll reveal a path that aligns with your needs and interests.

# Explore on your own

Explore the city to find tools and resources on a variety of topics related to instant payments, use cases, product features and preparing for implementation of the FedNow Service



# Find resources on FedNow Explorer

- Browse a full list of resources to get up to speed on instant payments and the FedNow Service
- Filter by organization type, format or content area

The screenshot shows the FedNow Explorer Resources page. At the top, there is a navigation bar with the FedNow logo and menu items: 'Guided journey', 'Explore the City', and 'Resources'. Below the navigation is a search bar and filter options for 'Organization type', 'File type', and 'Building'. The main content area displays a grid of resource cards, each with a title, a 'Watch Now' or 'Read More' button, and a duration/organization type indicator. The cards include:

- FedNow<sup>SM</sup> Service: Changing the future of payments video (3 min, All organizations)
- A quick look at different types of faster payments transactions (4 min, All organizations)
- Exploring the benefits of instant payments: A primer (4 min, Financial Institutions)
- What are faster and instant payments? (4 min, All organizations)
- Anatomy of an instant payment: A quick and easy guide (3 min, All organizations)
- Fraud and instant payments: The basics (7 min, All organizations)

# Readiness guide on FedNow Explorer

- Preplanning roadmaps and planning considerations for product, technology and treasury operations
- Operational details and benefits related to reporting and reconciliation, settlement and liquidity management
- Technology overviews regarding information security, participant availability and more

## Welcome to the FedNow Service Readiness Guide

The Federal Reserve Banks are designing the FedNow Service, a safe and efficient instant payments infrastructure that will help modernize the U.S. payments system.

Financial institutions of all sizes across the United States that are eligible for Federal Reserve Financial Services will be able to use the FedNow Service to enable their customers to instantly send and receive money any time of day, any day of the year.

With the FedNow Service, financial institutions, their service providers and others in the payments industry can unlock a range of innovative instant payment use cases that offer benefits all around.



### 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

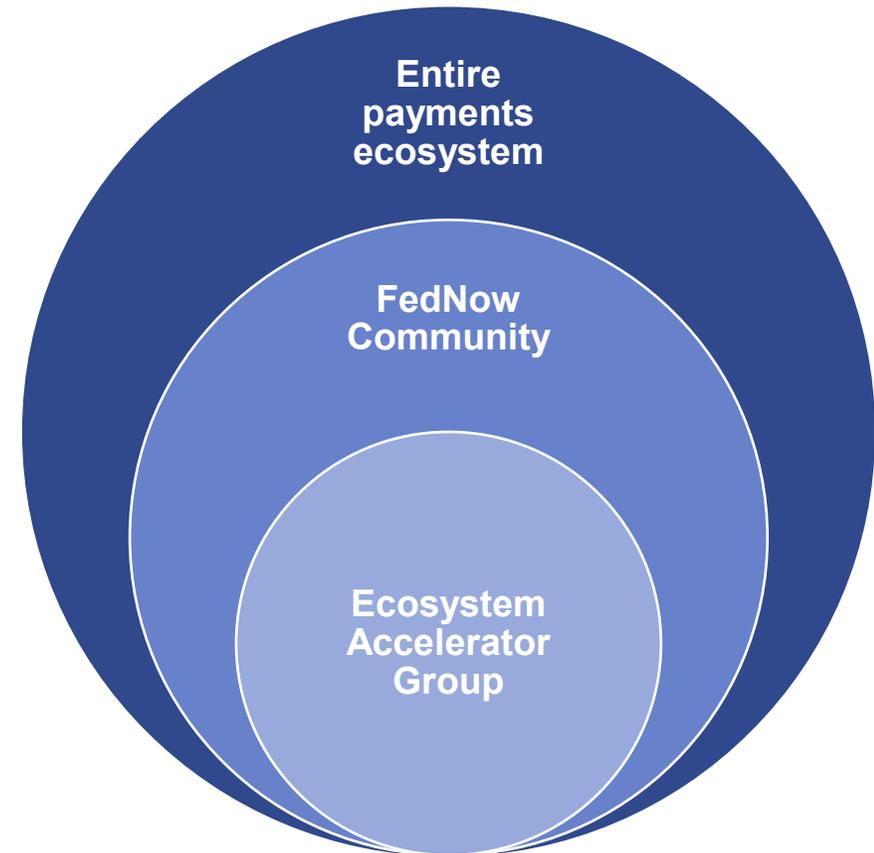
Gain better control of cash flow management, improve efficiency of corporate payments and streamline reconciliation processes

We invite you to start preparing now for the FedNow Service.  
And this guide is here to help.

# What is the Ecosystem Accelerator Group?

An interest group within the FedNow Community that will enable payment service providers across the industry to:

-  Influence FedNow Service design and release priorities
-  Participate in programs designed for the needs and interests of solution developers and providers
-  Ask technical questions and obtain answers relevant to this ecosystem group
-  Network with the broader FedNow Community and potential partners among financial institutions, other service providers and business clients





## Service Provider Showcase

- Financial institutions and end users will be able survey the emerging landscape of instant payment capabilities and connect with service providers
- Featured content will include video and narrative profiles of participating service providers
- Members of the Ecosystem Accelerator Group will have a unique opportunity to present their instant payment solutions and capabilities to financial institutions and end users that are actively looking to adopt the FedNow Service



# Questions?

Helpful Resources:

[FedNow<sup>SM</sup> Explorer – Instant Payments Learning & Resources](#)

<https://www.frbervices.org/CONTACTS/index.jsp>

The financial services logo, “FedNow,” “Fedwire,” “FedLine” and “FRBservices.org” are service marks of the Federal Reserve Banks. A list of marks related to financial services products that are offered to financial institutions by the Federal Reserve Banks is available at FRBservices.org.

“ISO” is a registered service mark of the International Organization for Standardization.