

# FedNow Instant Payment Service

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January 2025

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## Issue Update

FedNow Services (FedNow) is the new instant payment system that operates 24/7/365 and launched operations in July 2024. This is the first new payment platform offered by the Federal Reserve in more than 40 years and is a competitor of The Clearing House Real Time Payment Network © (TCH RTP), another instant payment service that began in 2017.

Banks have the choice of becoming a receive only participant or to offer send and receive transactions to their customers. Becoming a receive only bank is simpler and presents little risk. This is significant because FedNow transactions settle directly in a bank's master account. Banks will need to evaluate the demands of their customers to determine if the original transactions would be worthwhile.

FedNow offers credits push payments only. It does not allow any debits, although it will offer a Request for Payment (RFP) service that will allow participants to request a payment, but it will be up to the recipient of the RFP to originate the credit. Only banks that allow sending payments can receive and execute RFPs.

Transactions are capped at \$500,000 per instance currently. Banks that offer send services can reduce that cap based upon their own risk analysis. Some of the most cited potential use cases involve P2P payments, gig economy worker payments, insurance claim payouts, government distributions, and online casino payouts.

## Why It Matters

Faster payment systems like FedNow and TCH RTP allow banks to offer instant payment services to customers. These bank-centric solutions compete directly against non-bank services and provide benefits that customers want in a safer and well-regulated environment. They offer a great answer to critics of payment services that are slower and that don't operate on weekends and holidays.

Transactions on FedNow and TCH RTP are not interoperable. This means that payments that originate on one service can't be received by the other network. Banks will need to decide whether to offer FedNow or TCH RTP, or both, or neither.

## Recommended Action Items

- Talk to your core service provider about the implementation process and the cost.
- Review potential demand from your customers.
- Evaluate your technical and personnel needs.
- Develop a business case with a budget.
- Create an implementation team with a leader reporting to the CEO:
  - Compliance
  - Marketing
  - Operations