

Prepare to Accelerate Your Business with Instant Payments

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Business Demand For Faster Payments

Payment Successful
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A growing demand for speed

Consumers and businesses agree – faster is the future of payments.

 **83%**
83% of consumers reported using a digital wallet or a fintech payment app.

 **70%**
Nearly 70% of consumers feel it is an important satisfaction driver to have access to enhanced faster payment capabilities from their current FI.

 **62%**
62% of surveyed consumers overall expect to be using faster payment options more extensively in the future, particularly options that offer robust fraud protections.

 **91%**
More than 91% of businesses consider immediate access to funds important.

 **90%**
90% of businesses surveyed consider notifications, like when the payment has been received and when the funds are available, important.

Federal Reserve research: Faster payments Market Readiness Brief

The Federal Reserve published results of a survey of 2,010 businesses to assess their current payment practices as well as their potential usage and expected benefits of faster payments.



Industry categories

- **44%** work for service businesses
- **36%** work for either manufacturing or retail businesses
- **20%** work in the wholesale segment or other categories



Business sizes Based on annual revenue

- **32%** were from large/very large businesses
- **68%** were fairly evenly split between medium-sized, small and micro businesses

The sample of 2,010 allows for a sampling margin of error of +/- 4% at a 95% confidence level.

Source: FedPayments Improvement, [Market Readiness Brief: Businesses look to the future with faster payments](#), August 2021.

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.



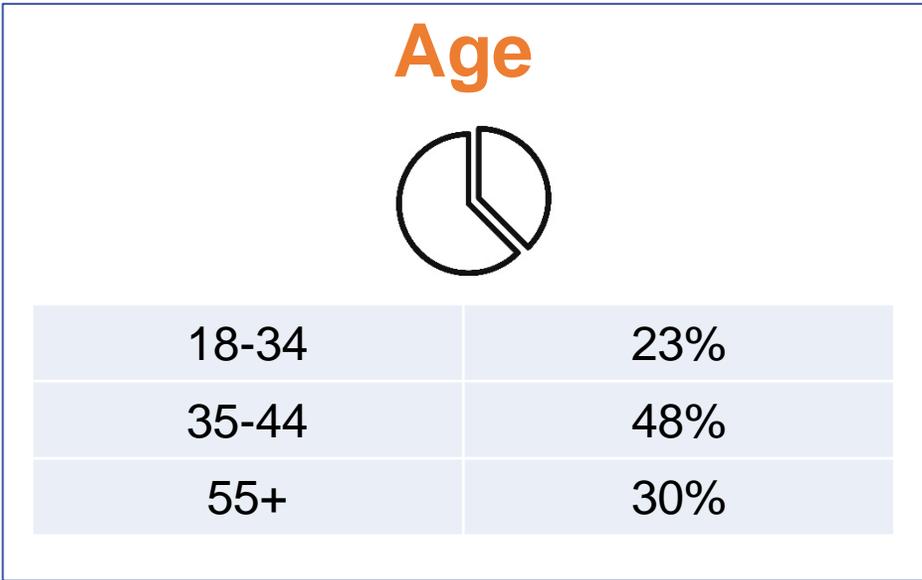
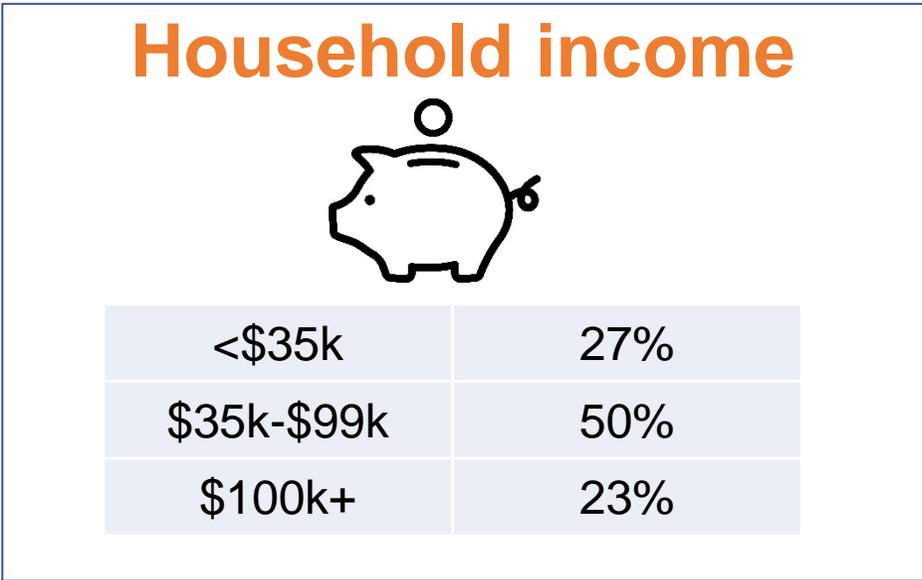
A majority of the businesses surveyed have **already sent and received some type of faster payment in the past 12 months**, using primarily digital wallets, Same Day ACH and push-to-card.



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.

Federal Reserve Research: Consumer Research Brief

The Federal Reserve Banks published findings in May 2022 from a survey of **2,015 adults** designed to assess consumers' payment practices, pain points, awareness of potential benefits of faster payments and interest in adding faster payments to their available options. Respondents were stratified across age and income level:



The sample of 2,015 was stratified by age and income and allows for a sampling margin of error of +/- 3% at a 95% confidence level.
Source: FedPayments Improvement [Federal Reserve Market Readiness Brief: Today's on-demand lifestyle is spurring greater demand for faster payments.](#)

Fed survey: Consumers want faster payment to pay businesses



In a recent Federal Reserve survey, four out of five consumers said they are interested in **using faster payment options to pay businesses**.



Access to enhanced faster payments from their **current financial institution(s)** is an important satisfaction driver for about 70% of consumers.



Sixty-two percent of consumers expect to **use faster payment options more extensively** in the future.



Nearly seven out of 10 consumers use **mobile devices to send and receive payments**.



More than 60% want **a real-time view** of their account balance and payments they initiate.



Driven in part by the COVID-19 pandemic, consumers **are placing greater importance** on online commerce, contactless payments, fraud monitoring, reducing debt and increasing savings.

COVID-19 impact on faster payment adoption plans

The pandemic has had a significant impact on the financial operations of the businesses the Federal Reserve surveyed.

Accelerated their plans for instant payment adoption

Cited **managing cash flow and working capital** as top concerns in current business climate

Focused on offering **more digital/online payment options** to ensure payment timeliness and growing sales

FedNowSM Service Overview & Features

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

Value across a variety of use cases

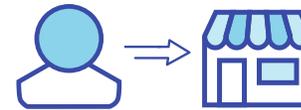
While the FedNow Service is use-case agnostic, the Federal Reserve plans to support financial institutions by enabling account-to-account and consumer-to-business bill pay options initially. The following use cases will also be supported with industry innovation:



ACCOUNT-TO-ACCOUNT (A2A)

Transfer of funds from one customer's account to another account typically owned by the same customer

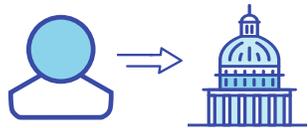
- *Transferring funds from a bank account to a brokerage account*



BILL PAY, CONSUMER-TO-BUSINESS (C2B)

Individual to a business

- *Groceries, haircuts, gym memberships, etc.*



CONSUMER-TO-GOVERNMENT (C2G)

Individual to a government entity

- *Municipal taxes, state fishing licenses, etc.*

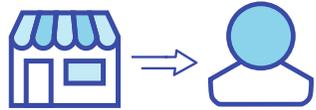


PERSON-TO-PERSON (P2P)

Individuals to friends, family, other individuals

- *Babysitting, rent, utilities, meals, etc.*

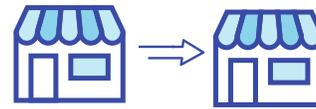
Value across a variety of use cases



BUSINESS-TO-CONSUMER (B2C)

Business to a person

- *Rebates, wages, etc.*



BUSINESS-TO-BUSINESS (B2B)

One business to another

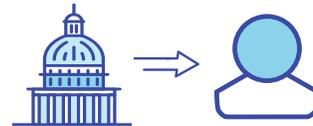
- *To suppliers for inventory, rent, services, etc.*



BUSINESS-TO-GOVERNMENT (B2G)

Business to a municipal or state government entity

- *State or municipal tax payments*

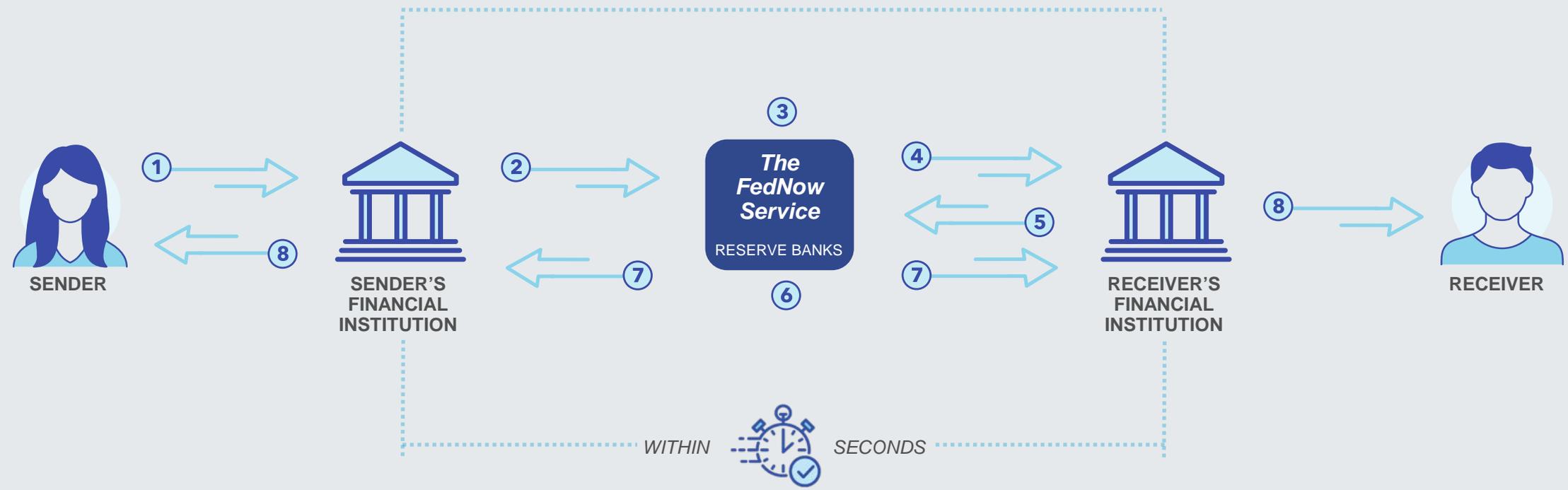


GOVERNMENT-TO-CONSUMER (G2C)

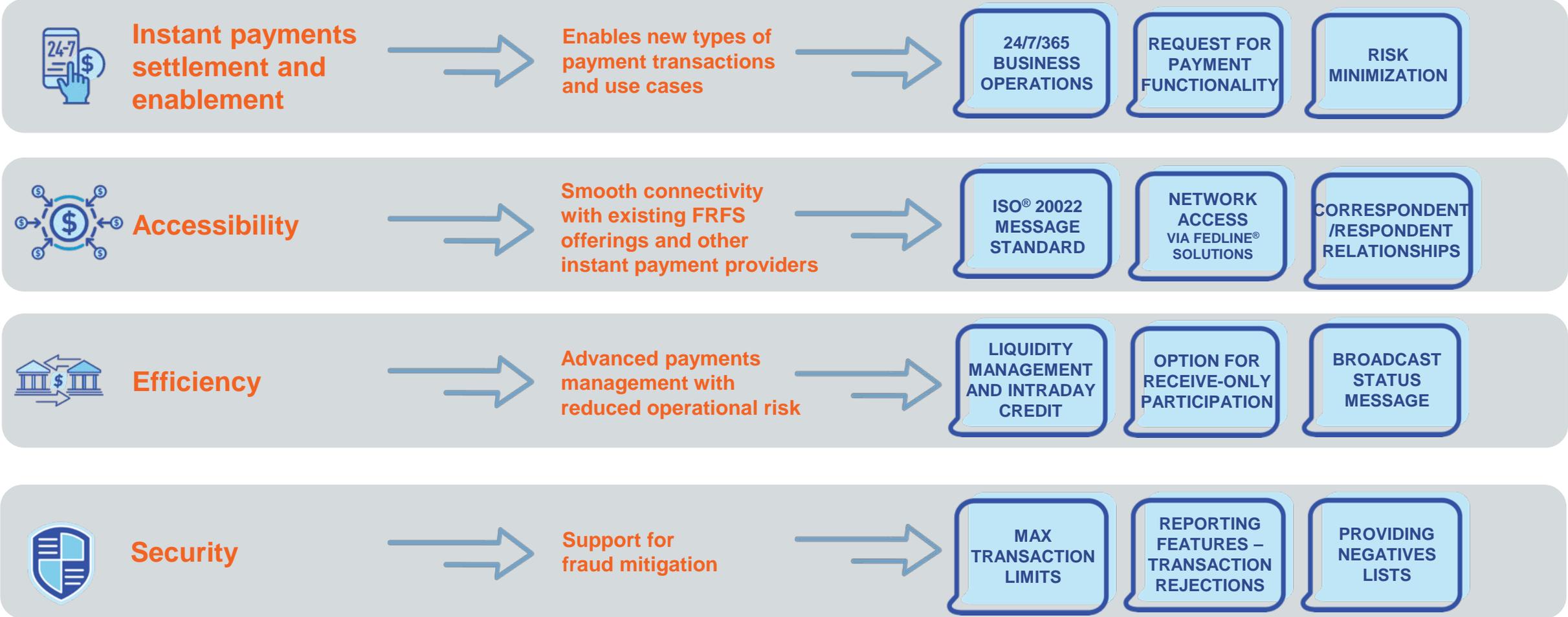
Government to an individual

- *State tax refunds, child support payments, etc.*

The FedNow Service payment flow



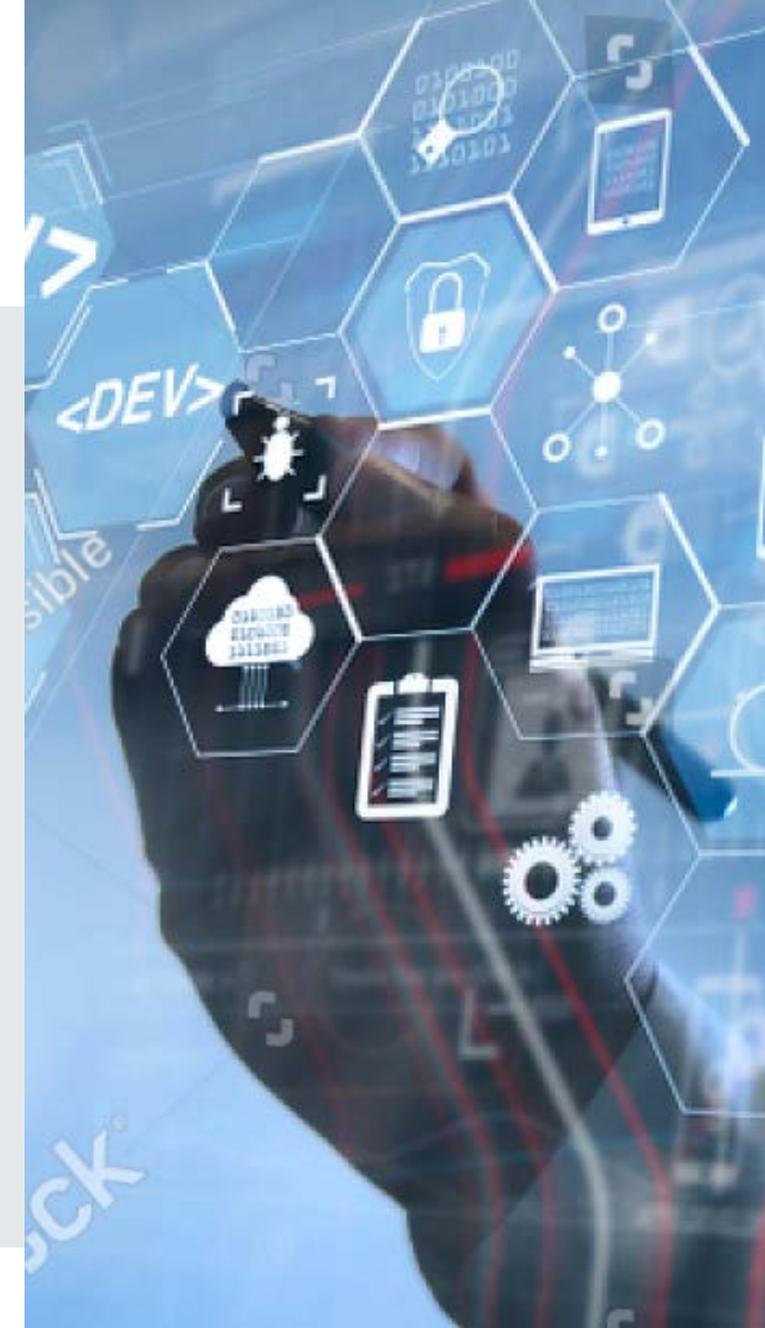
Building around our public mission and industry needs



Future product releases

Additional features will continue to improve the FedNow Service's overall product capabilities, efficiency and safety.

- Enhanced remittance information to support B2B payments
- Improved reporting for more transparency
- Support for alias-based payments through a directory
- Integration of contemporary interfaces, such as application programming interfaces (APIs) for reporting
- Support for additional use cases
- Fraud mitigation tools



A photograph of two business women in a meeting. The woman on the left is wearing glasses and a light blue shirt, smiling and pointing at a tablet held by the woman on the right. The woman on the right is wearing glasses, a grey blazer, and a white shirt, also smiling. The background is a modern office setting with large windows. The image is overlaid with a blue gradient on the left side.

Preparing the Industry for Instant Payments

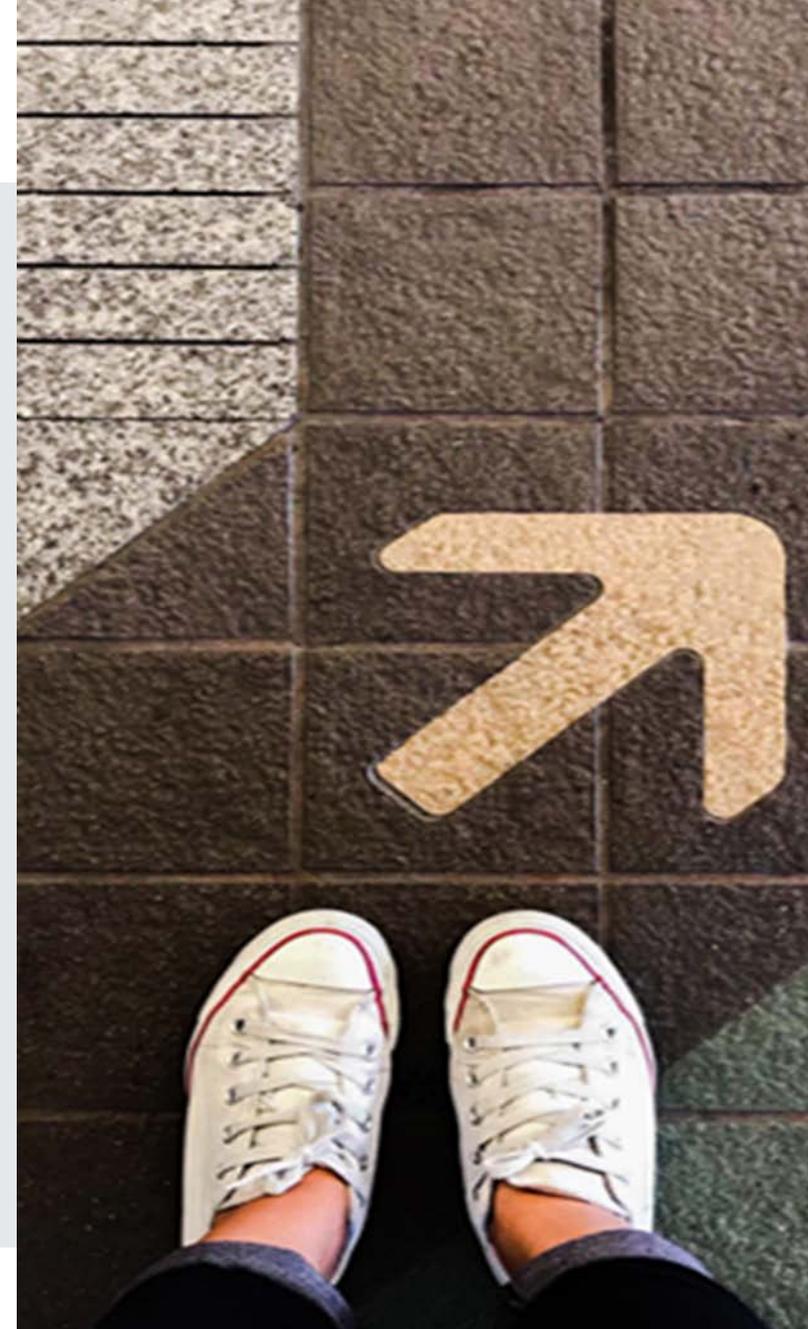
Continued progress in 2022

Announcements:

- ✓ FedNow Service launch targeted for May-July 2023
- ✓ Kick-off of pilot program technical testing launches in September 2022
- ✓ Directional announcement on FedNow Service pricing and expected customer credit transfer value limit
- ✓ Liquidity Management Transfer value limits and hours of availability
- ✓ Launch of the FedNow Service Provider Showcase
- ✓ FedNow Service initial fraud controls

Planned next steps:

- ❑ Continue onboarding pilot participants onto the FedNow Service
- ❑ Publish FedNow Service Operating Circulars and Procedures
- ❑ Publish FedNow Service technical specifications
- ❑ Collaboration and alignment with the ecosystem to enable readiness for high-demand use cases across the industry



Launch timing set for mid-2023 as pilot testing kicks off

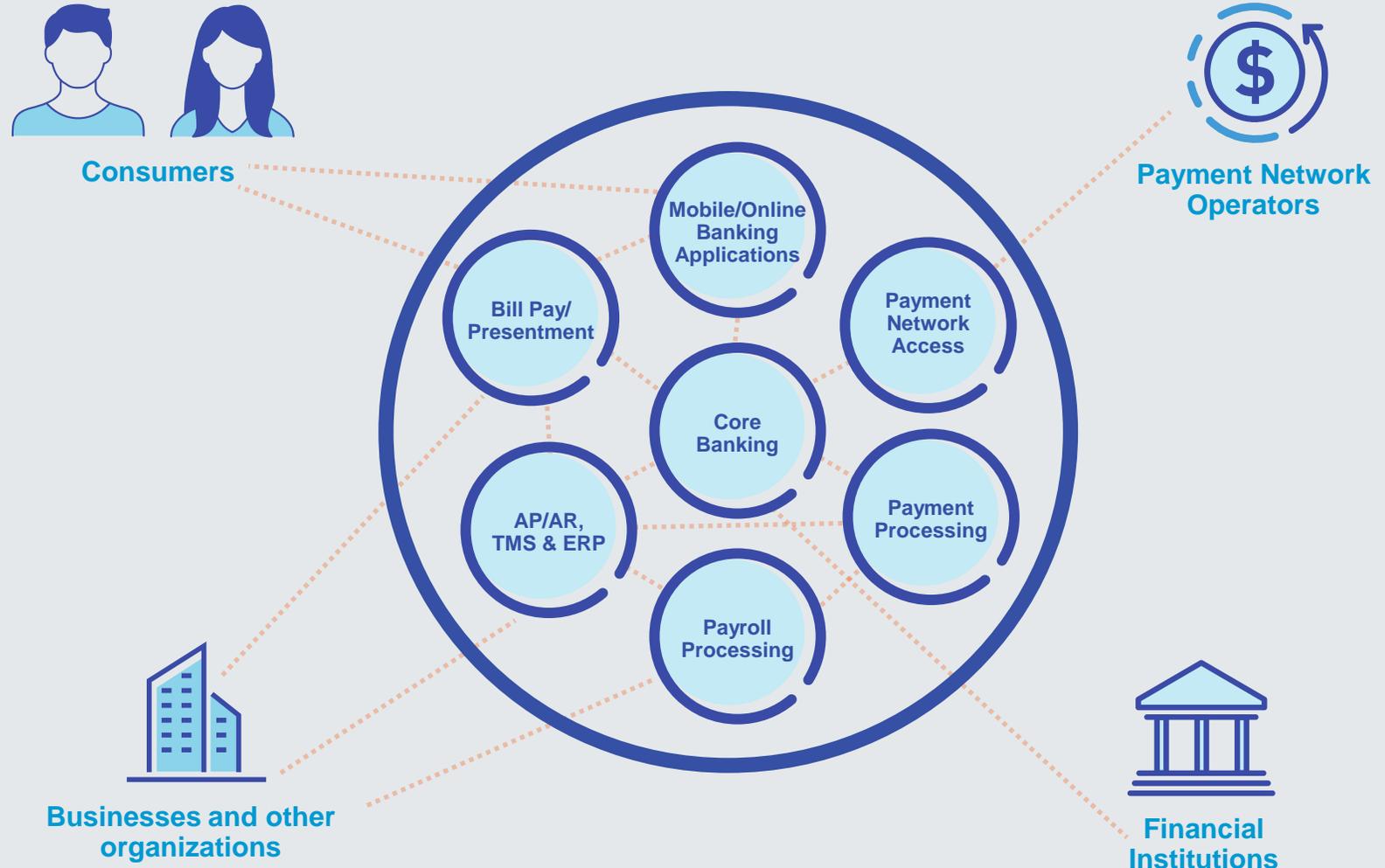
- FedNow Service rollout targeted for May-July 2023 timeframe
- Pilot program technical testing underway in September 2022
- More than 120 organizations now participating in pilot program
 - Recent additions include U.S. Department of the Treasury's Bureau of the Fiscal Service, U.S. Bank and several processors and service providers



Collaboration across the entire ecosystem

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

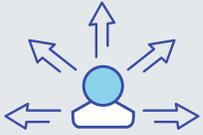
- Financial institutions**
 Financial institutions can connect directly to the FedNow Service or through their service provider.
Includes: Banks, credit unions, savings banks, etc.
- Payment service providers**
 Service providers can connect directly into the FedNow Service on behalf of a FedNow participant/financial 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



How your organization can begin preparing

Preparation and planning is the best way to make a more seamless transition to the FedNow Service. The FedNow Service Readiness Guide can help you along this journey.

Questions for your organization to consider include:



What additional capabilities, if any, will be needed to handle real-time processing?



Are systems set up to alert customers of payments received or other status messages and to meet anticipated requirements to make funds available immediately?



What customer experiences and functionality are desired?



What areas have security and resiliency implications to support around-the-clock activity?



What data capabilities will be needed for customers and internal needs? Participants should consider how they will manage data needs.



Resources and engagement



Sign up for the FedNow Service emails

- 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 2,400 members from more than 1,000 organizations
- 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 ▶ 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 ▶ Explore the City tab ▶ Community Center ▶ Ecosystem Accelerator Group



Questions?

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