FedNow℠ Service Is Making Progress – What You Should Know

🏷 payments   automation

Summary: Faster payments demand has grown dramatically. The Federal Reserve's solution, FedNow℠ Service, is making great strides in its progress. In developing this new instant payment rail, the Fed recently announced a pilot program, including 110 diverse financial institutions and service providers. As one of the selected participants, PCBB will give you an update on this exciting new program.

According to Acumen Research and Consulting, the worldwide B2B payments transaction market will grow at a compound annual growth rate (CAGR) of 6% from 2019 to 2026 and is expected to reach over $63T by 2026. Many factors are affecting this rapid growth, including the advancement of payment technologies along with the continuing demand for faster payments by consumers and businesses alike.

All payment platforms have seen increased demand, especially during the pandemic. So, it is exciting to see that the Fed's faster payments solution, FedNow ServiceSM, is making great strides.

While the FedNow Service isn't expected to fully launch until 2023 or 2024, the Federal Reserve revealed its pilot program which will begin later in Q1 2021, including 110 financial institutions and service providers to help develop and test its platform. PCBB was selected to participate in the pilot program, so we look forward to assisting in the progress of this solution.

Goals for the FedNow Service pilot program

- Participants will assist in:
    - shaping the features and functionality
    - giving feedback on the overall user experience
    - testing the service
    - defining how best to prepare institutions for adoption
    - outlining the overall instant payments strategy

- As part of the pilot, the Federal Reserve is also forming an "ecosystem participant" program, which is expected to start later in 2021. This group was put together due to a high level of interest from over 80 payment providers. They will give feedback on:
    - specific features and use cases to broaden the understanding of the payment chain
    - end-to-end testing of their solutions with the FedNow Service and financial institution partners

The pilot program is a critical step forward for FedNow. It allows various stakeholders to not only give feedback and assist in the development, but also to test out the system with various platforms and partners, before it is rolled out.

Once it is launched, **FedNow will provide instant payments 24x7x365**. The market demand for faster payments has continued to rise and the Federal Reserve is working hard to meet those demands in a holistic ecosystem. Here is what you can expect from the FedNow once it is widely available:

- It will **facilitate instant payment services across the US** through various financial institutions and service providers, small and large.
- Payments will be **transmitted every day of the year**.
- Through FedNow-participating financial institutions, businesses and individuals will be able to transmit and receive instant payments easily; **funds will be available to recipients within seconds**.
- Having access to funds immediately provides recipients with **an opportunity for better money management**.

We look forward to assisting in the progress of the FedNow Service and will keep you posted as developments are made. Stay tuned!

PCBB SELECTED FOR FEDNOW PILOT

PCBB has been selected as a pilot bank for the Federal Reserve's FedNow℠ instant payments service. We're honored to assist in the development of the functionality and user experience, with our community financial institution customers in mind. Read the full press release.