



## How Is FedNow Coming Along?

payments business customers RTP

**Summary:** The Federal Reserve is making good progress on its FedNow Service – it expects to launch it in 2023. Before we know it, 2023 will be here. So, to keep you informed, we are providing you with the program details, ISO specs, program advantages, and some information on the pilot that is underway. Since we are participating in the pilot, we will give you these updates regularly.

Today is April Fool's Day. But, we promise not to fool you. We thought it was interesting to read about its origins, but it is somewhat of a mystery. Some believe it had to do with the first day of spring in the Northern Hemisphere, as the weather can be unpredictable. Others think it had to do with the change from the Julian to the Gregorian calendar — those who didn't realize the change were considered fools. But, today, we are not fooling when we say that FedNow<sup>SM</sup> is ahead of schedule.

The Federal Reserve is making such good progress on its FedNow Service, that the central bank is now confident it can launch the instant payments service in 2023 — faster than originally expected. FedNow Service will increase the instant payment service options for financial institutions and their customers, which, in effect, will promote resiliency through redundancy throughout the growing instant payments universe.

Now designated as the central bank's top program priority, FedNow<sup>SM</sup> Service has the necessary resources to advance the timeline of the launch, originally slated to occur either in 2023 or 2024. Indeed, the Fed's key benchmarks have already been reached, including concrete movement on developing a secure engine that will clear and settle payments within seconds, around the clock on every day of the year, says FedNow Program Executive Kenneth Montgomery.

**Program details.** The FedNow<sup>SM</sup> Service will be deployed in phases, with the initial phase to provide baseline functionality on the most popular uses: account-to-account transfers and bill pay. Subsequent phases will enable instant payment for additional types of uses, including possibly cross-border payments, as well as extra features related to fraud prevention, error resolution, and case management.

**ISO specs.** The Fed has also expedited the development of its ISO® 20022 standard specifications, so that financial institutions, processors, and other entities can understand how to interface and send messages on the system. The Fed is now expected to finalize the ISO specifications this quarter, which will also serve as the foundation for interoperability between payments systems, including The Clearing House's system, Montgomery says. In fact, the central bank has already started working with The Clearing House to coordinate implementation of the ISO standard and the two entities are also working to determine how they can reconcile any differences.

**Program advantages.** As mentioned earlier, FedNow will improve payment system resiliency through redundancy and is expected to increase system dependability overall. While financial institutions now have access to other instant payments services while the Fed continues to build its service, many institutions will still likely opt for FedNow<sup>SM</sup> Service because *"the industry wanted the Fed in,"* Montgomery says. This makes sense, as the central bank's service will enable *"unparalleled reach"* considering more than 10K institutions are

already Fed customers. Even critics of the central bank's slower rollout say that the FedNow<sup>SM</sup> Service launch will be "well-considered" because most people view the central bank "*as an honest broker.*"

**Pilot is underway.** PCBB is one of 110 selected participants of the FedNow Service pilot program, which also includes a diverse group of financial institutions and service providers. Together, we are helping the Fed tweak the service's features and functionality to meet the needs of community financial institutions (CFIs). Further, we will be testing the program, giving the central bank feedback on the overall user experience, and advising the Fed on how to best prepare institutions for adoption.

The central bank is making great strides in bringing its FedNow<sup>SM</sup> Service to the market, providing more choices for CFIs and their customers. Stay tuned for continuing updates!

## PCBB SELECTED FOR FEDNOW PILOT

PCBB has been selected as a pilot bank for the Federal Reserve's FedNow<sup>SM</sup> 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 press release](#) for more information.

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