



## Building the FedNow Service: Behind the Scenes with PCBB's COO

payments faster payments FedNow

**Summary:** Sheila Noll, PCBB's Chief Operating Officer who served on the Federal Reserve's Faster Payment Task Force, shares what it took to get FedNow® Instant Payments up and running and her advice for CFIs.

The Federal Reserve's FedNow® Service, an instant payments rail that launched this past July, was a long time in the making. As you and perhaps some of your competitors prepare to dive into the faster payments space (if you haven't already), you probably have a few questions about how the FedNow service was created. What were the criteria, who was in the room, and — most importantly — are you behind, if your team hasn't gotten started yet?

We sat down with our very own [Sheila Noll, PCBB's Chief Operating Officer](#), who served on the FedNow Service's Faster Payments Task Force, to give you an inside look at how the FedNow Service was launched. With over 30Ys of banking leadership experience and expertise in the payments space, Sheila is a current or former member of many committees in the payments sector, including the ICBA Operations & Payments Committee, the Clearing House RTP® Advisory Committee, and the Faster Payments Council Advisory Board. The below is an abbreviated transcript of our conversation. The full version will be available soon.

**Q: Tell us about the work that went into building the FedNow Service payments rail.**

**Sheila:** There were six major categories of criteria that the Faster Payments Task Force considered: ubiquity, efficiency, safety, soundness, security, and speed.

It was important for everyone to know that any payment would be settled, final, and irrevocable — and that it would happen within seconds. We also needed to make sure that the laws of our country supported what we were trying to bring forth, that we had sufficient rules so everyone knew what was expected, and that everyone could play by the same rules, regardless of whether there were multiple operators.

The work of the task force was extremely inclusive. Banks and credit unions of all sizes were able to be engaged, but it wasn't just the financial institutions. Everyone was invited to the table, including core providers, fintechs, and software developers that were looking to develop applications for this new great idea of a payment system. We also had some of the largest merchants at the table, as well as consumer advocacy groups, rulemaking bodies like the National Automated Clearinghouse Association (NACHA), and credit card associations.

To get to a consensus, we focused on those six main categories and there were dozens of points within each of those. We literally had whiteboarding sessions where we had maybe a ballroom full of flip charts all the way around the perimeter of the room, where everyone was contributing their thoughts.

**Q: What about interoperability between the faster payment systems?**

**Sheila:** The FedNow Service, which is the public sector solution, and the Clearing House's RTP, which is the private sector solution, are working together on this issue. They are two different solutions today — we really

are still in the early stages and it's going to take some time to evolve, so we want to make certain that both of those solutions are operating very well.

We're not interoperable today directly, but indirectly there are ways — that's where the fintechs and the service providers, like PCBB, come in. APIs will increasingly be utilized to make certain that we get to that ubiquity — with or without the direct work of all payment operators.

But that said, I truly believe that both FedNow and RTP will very likely get to a point where it makes sense to put that direct connection in place. But in the meantime, there's great value in both networks.

**Q: What did you learn while you were developing the FedNow Service?**

**Sheila:** There were many other countries that jumped into instant payments before the US did, as their economies are far less complex than ours. So as a self-professed payments geek, I'd always cringe a little bit when people would say, "Oh, the US is so far behind." I'm thinking, no, we were very thoughtful and methodical with our approach, and I think that that was an important thing for us to do as a country.

But it's fascinating to see how other countries are doing things. You have India and Brazil that have done amazing things with directories — databases that centralize end user data. We're still sorting through the directory question — where you can get all the endpoints talking to each other, to get to ubiquity and interoperability.

In addition, we heard and maybe even thought to ourselves to a certain degree early on, that faster payments meant faster fraud. But quite frankly, we're not seeing that.

**Q: What advice do you have for CFIs that have started implementing a faster payment method?**

**Sheila:** It's just getting everyone from every part of the organization thinking about "OK, what's next, what else can we do to better serve our customers?" Continually seek additional use cases that will make sense, because solutions will come to market that will support new use cases we have not even thought of yet.

Just keep learning, keep talking to your partners like PCBB and there will be even more opportunities as time goes by. Certainly, talk to your customers about what friction and what problems can be solved with faster payments.

**Q: What are your recommendations for CFIs who haven't chosen a faster payment method?**

**Sheila:** I would say take a big, deep breath — there's plenty of time. We truly are still in the infancy as it relates to deploying a solution. However, if you are not yet spending time learning about faster payments, then you're getting a little behind. If you have not started to build a payment strategy around this, it's very critical that you start doing that sooner rather than later.

Moreover, there's value in keeping your contracts with core providers and fintechs short, because things are going to change dramatically in the next two to three years, and you want to be able to adapt to those things.

Keep an eye out for the upcoming full interview with Sheila Noll to learn more. We discuss how the task force worked through the process, including overcoming certain challenges, and how the US may solve the national directory and interoperability issue, as well as specific faster payment use cases that CFIs should consider.

**PCBB IS A CERTIFIED FEDNOW® SERVICE PROVIDER**

FedNow, the Federal Reserve’s instant payment service has officially launched! The service allows participating institutions to send and/or receive account-to-account transfers, requests for payment, bill payments, and many other transactions in real time. As a certified provider, PCBB offers [Settlement and Liquidity solutions](#) to participating community financial institutions. Contact us to get started.

ECONOMY & RATES

Rates As Of: 11/02/2023 07:36AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.57	-0.02	1.15
6M	5.51	-0.03	0.75
1Y	5.38	-0.05	0.68
2Y	4.99	-0.10	0.57
5Y	4.63	-0.22	0.63
10Y	4.67	-0.27	0.79
30Y	4.82	-0.27	0.86
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	OBER	
5.32	8.50	5.32	

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