

FedNow Instant Payment Service

Steve Kenneally | skenneally@aba.com | (202) 663-5147

June 2025

Issue Update

FedNow Services (FedNow) is the new instant payment system that operates 24/7/365 and launched operations in July 2023. As of the beginning of 2025, more than 1,300 financial institutions registered to receive payments on the network but only a few had opted to send payments. 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 that are irrevocable once sent. 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 \$1 million 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 digital wallet 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