

## Use Case Series:

Unlock instant payment use cases with the FedNow<sup>SM</sup> Service



Advances in technology have changed the way people expect to pay for things and have led to a growing demand for instant payments. Today, individuals and businesses want to transfer funds between accounts, pay bills and send money to friends and family in a matter of seconds.

The Federal Reserve is developing the FedNow Service, a safe and efficient infrastructure, to facilitate instant funds transfer and settlement between financial institutions in near real time – anytime of day, any day of the year. This means there's no buildup in interbank obligations and end users can send and receive money in seconds.

The FedNow Service gives financial institutions of all sizes the opportunity to develop and offer instant payment solutions that provide flexibility, speed and efficiency to their individual and business customers.

### A SPRINGBOARD FOR INNOVATION

The FedNow Service provides a platform for innovation that banks, credit unions, service providers and others can use to innovate and offer a variety of instant payment use cases for their customers.

The FedNow Service will be released in phases. The first release will provide core clearing and settlement capabilities and certain value-add features – like request for payment and remittance information – to support a range of use cases including those that are expected to gain initial traction such as Account-to-Account transfers and Consumer-to-Business Bill Pay.

Subsequent FedNow Service releases will implement additional features to support even more instant payment use cases.

## INSTANT PAYMENT USE CASE OPPORTUNITIES

The FedNow Service will support the Account-to-Account and Consumer-to-Business Bill Pay use cases at initial launch.

As the service continues to be developed to support various use cases, the industry will need to innovate to meet consumer and business market needs.

### Account-to-Account (A2A)

#### Me-to-Me

Individuals can instantly transfer money between accounts at different financial institutions, including funding a newly opened account.



#### Prepaid Cards

Individuals can fund reloadable cards without the wait.

#### Mobile Wallet Funding/Defunding

Individuals can fund or cash out accounts without the wait.

#### Investment Account Management

Individuals can instantly move funds from their financial institution to their brokerage account at another institution.

#### Corporate Cash Pooling

Corporations can consolidate funds into a single account for payroll or other purposes.

### Consumer-to-Business (C2B) Bill Pay

#### Pay Bills

Individuals and businesses can pay bills such as loans, utilities and more and feel confident their payment is posted to the biller's account in seconds. This can help people and companies avoid late fees and better manage cash flow.



#### E-Invoicing

Billers can send a request for payment to their customers through the FedNow Service. Customers can respond by initiating a credit transfer through an end-user interface offered by the financial institution. The payment will include the applicable remittance detail from the request which facilitates posting of the transaction.

<p><b>Peer-to-Peer (P2P)</b></p> <p><b>Pay Family &amp; Friends</b> Family and friends can immediately send and receive money electronically.</p> <p><b>Pay Individuals for Services</b> Consumers can pay instantly for a variety of on-demand services, such as babysitting or dog-walking.</p>	<p><b>Business-to-Business (B2B)</b></p> <p><b>On-Demand Payment</b> Businesses can free up working capital by paying suppliers upon receipt of products or services.</p> <p><b>E-Invoicing</b> Businesses can send an e-invoice and a request for payment that includes all the information they will need when their customer remits the requested payment.</p>
<p><b>Consumer-to-Business (C2B)</b></p> <p><b>Home Service Payment</b> Individuals can pay upon delivery of a good or service such as landscaping or home repair.</p> <p><b>E-Commerce</b> Consumers can select an instant payment option when purchasing goods online.</p>	<p><b>Business-to-Consumer (B2C)</b></p> <p><b>One-Time Payments</b> Non-recurring disbursements such as insurance payouts or rebate claims can be paid instantly.</p> <p><b>Immediate Payroll</b> Payroll instructions for expedited payments can be initiated immediately rather than scheduled in advance.</p>
<p><b>Government and Municipal Payments</b></p> <p>Businesses and individuals can make payments – like tax payments to government or municipal entities who in turn can make payments, such as tax refunds or other time-sensitive payments to businesses or individuals.</p>	

## WHY DO FINANCIAL INSTITUTIONS NEED THE FEDNOW SERVICE?

Instant payments are gaining traction in the United States and around the globe. The FedNow Service will foster innovation and help financial institutions meet the evolving needs of their customers, while keeping pace with the competition.

## ADDITIONAL BENEFITS FOR FINANCIAL INSTITUTIONS INCLUDE:

- Opportunity to attract and retain customers by offering competitive instant payment services
- Potential to grow revenue (e.g., transaction fees, fees for new service or product offerings)
- Reduced costs through increased efficiency (e.g., automation and operations)
- Real-time settlement in central bank money
- Reduced interbank settlement risk



### START ENGAGING!

- Reach out to your Federal Reserve account executive for more information
- Ask your third-party providers about their plans to implement the FedNow Service
- Make the business case for instant payments to your management
- Join the FedNow Community

Go to **FedNow.org** for more information on the FedNow Service.