FedNow^SM Community Town Hall

February 11, 2021

Agenda and speakers

❑ Welcome and opening remarks

❑ Recap of 2020 accomplishments and lessons learned

❑ Preview of 2021 plans for education and engagement

❑ Q&A

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Looking back at 2020

Launched the FedNow Community
- Over 1,000 members across 700 organizations spanning the industry since May

Achieved key milestones
- Finalized features and functionality for FedNow Service initial launch

Advanced critical work
- Began technology development and advanced strategies for supporting use cases
- Refined ISO message specifications and reconciliation needs

Introduced the FedNow Pilot Program
- Created unique opportunity for FedNow Community members to engage throughout the FedNow lifecycle—supports development, testing and adoption of the FedNow Service

Looking ahead to 2021

The FedNow Service remains a top priority for the Federal Reserve:

Recent Announcements:

✓ FedNow Pilot Program—more than 110 participating organizations

✓ Projected launch timeline of FedNow Service accelerated to 2023

Planned next steps:

❑ Formal kick-off of Advisory Phase of FedNow Pilot Program

❑ Ongoing development of the FedNow Service

❑ Announcement of ISO 20022 message specifications

❑ Continued collaboration with The Clearing House (TCH) to align on ISO 20022 message specifications

❑ Continuous educational efforts around the FedNow Service and instant payments

❑ Collaboration and alignment with the Ecosystem to enable readiness for high-demand use cases across the industry

FedNow 24/7 INSTANT PAYMENTS

THE FEDERAL RESERVE Financial Services

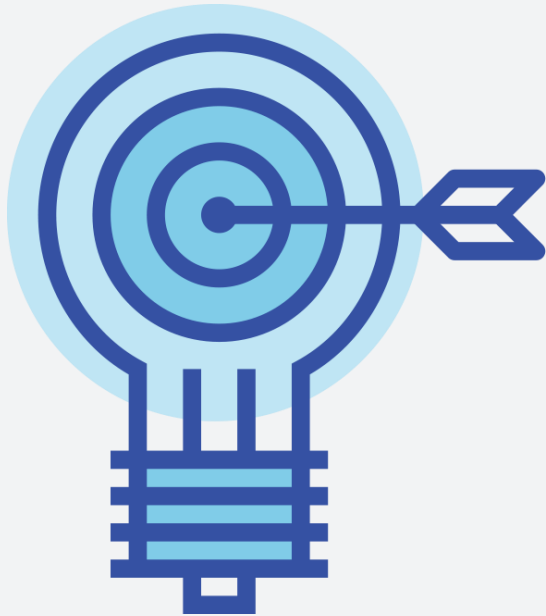# FedNow Community Objectives and Deliverables

FedNow Community objectives

Here's what we set out to accomplish:

- ❑ Engage industry participants
- ❑ Foster innovation
- ❑ Drive adoption
- ❑ Educate and communicate

2020 FedNow Community accomplishments

Here's how we delivered:

✓ Conducted 20+ Community engagements

✓ Facilitated 15+ meetings to listen and shape the Service:

- Bill Pay
- Reconcilement
- ISO 20022 standards
- Perspectives from Processors and Aggregators

✓ Delivered 15+ polls and surveys to gather Community input

Polling and Engagement

Tell us what you think

Question 1:

For which use case types are instant payments most likely to be leveraged initially?

a) A2A (funding accounts/digital wallets)
b) P2P (personal payments)
c) C2B (consumer expedited/regular bill pay)
d) B2C (expedited payroll)
e) B2B (invoicing)
f) Other

Tell us what you think

Question 2:

What do you see as the biggest challenge for your organization to adopting instant payments?

a) Cost and/or risks of updating systems to support service and 24/7 operations

b) Convincing senior management of the importance and ROI of instant payments

c) Fraud and security concerns with instant payments

d) Already have an instant payments solution in place

Group Engagements and Lessons Learned

Working Group activities

Key learnings from two working groups:

ISO 20022 Working Group:

❑ Expressed preference to stay true to the ISO 20022 standard and align to best practices

❑ Requested guidance to help promote consistency in information exchanges

Reconcilement Working Group:

❑ Validated the reconcilement tools offering for FedNow Release 1

❑ Received feedback and suggestions for several enhancements

Roundtable discussions

Key learnings from roundtable discussions:

Bill Pay:

❑ Showed strong interest in request for payment functionality

❑ Emphasized the need for a consumer directory

**Core and Payment Services Providers, Corporate Credit Unions and Bankers' Banks:**

❑ Emphasized the importance of back-end systems integration to support 24/7 instant payments processing

❑ Voiced their need to be prepared to support financial institutions who adopt FedNow

FedNow Pilot Program

More than 110 organizations will support development, testing and adoption of the FedNow Service:

- ❑ Diverse representation across financial institutions and processors
- ❑ Advisory, testing and closed-loop production phases
- ❑ Program members will:
  - ✓ Help inform development and build of FedNow Service
  - ✓ Guide industry readiness approaches
 - ✓ Further define our instant payments strategy
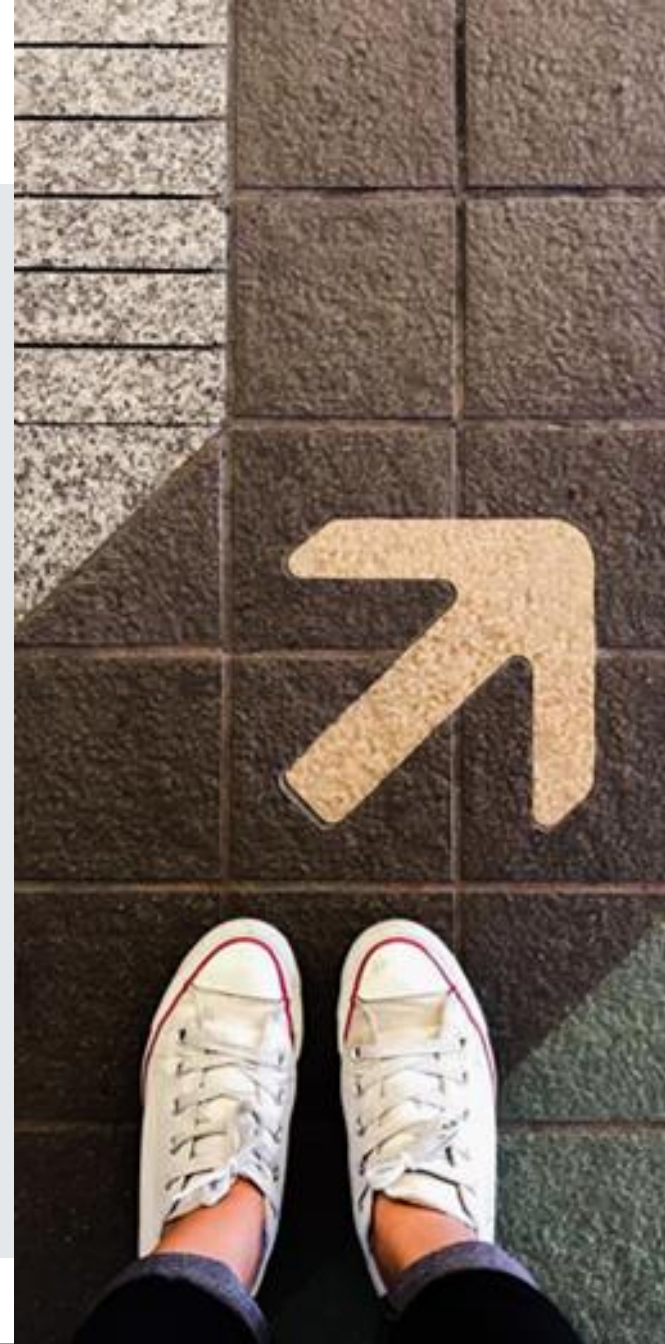
Ecosystem participation

Over 80 submissions to the pilot program from ecosystem participants

- ❑ Kicking off later in 2021
- ❑ Provide feedback on specific features and use cases
- ❑ Help support end-to-end testing of solutions in coordination with partner financial institution

Ecosystem Participants

Organizations that provide payment systems and services for financial institutions and end users or are interested in implementing instant payments to meet business or consumer needs.
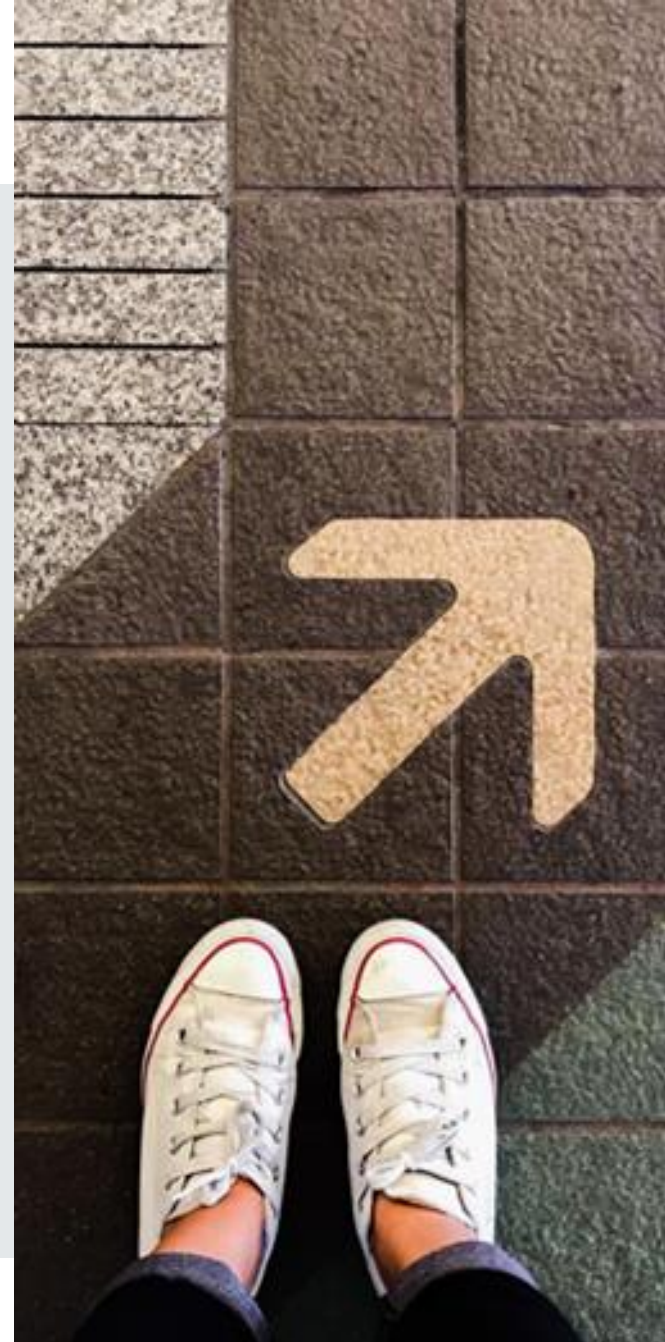
Educational Efforts

Efforts to support user adoption

In 2020, the educational journey began with the basics:

Waypoint One:
Exploring the world of faster payments

Waypoint Two:
Evaluating instant payments

Waypoint Three:
Embarking on an instant payments transformation

In 2021, the journey will focus on preparing for adoption, with materials that will:

Provide guidance on preparing for FedNow adoption

Illuminate FedNow product features and capabilities

Offer ideas for innovative and transformational use cases

Share progress updates and lessons learned from development

Explain key technologies

Customer Readiness Guide

Online
- Self-directed online guide
- Tailored to the current needs of particular users

Relevant
- Allows users to assemble relevant content based on their needs
- Helps customers develop a roadmap for implementing FedNow

Continuous
- Long-term goal is to create a continuous feedback loop between users and FedNow team to create compelling content

THE **FEDERAL RESERVE** *Financial Services*

Snapshot of the guide

- **Accounting / Reconcilement / Reports**

- **Settlement**

- **Liquidity management**

- **Funds availability**

- **Understanding the clock**

- **Information security**

- **Participant availability expectations**

- **Connecting to FedNow via FedLine**

- **Depository Institution Testing (DIT) environment**

- **Data transmissions**

- **ISO messages, considerations, best practices**

- **Readiness self-assessment**

Note: Customer Readiness Guide will not replace details found in the forthcoming operating circulars or more technical specifications and standards.

Questions?

Upcoming communications

 Invitation to participate in FedNow Community member survey

 Opportunities to participate in roundtables, working groups and other engagements

 Announcement regarding ISO 20022 message specifications