

USE CASE SERIES:

**Bill Pay**

*Bill pay gets a boost with instant payments*



Bill pay vastly improved billing processing and changed the way most consumers pay their bills. Despite these improvements, consumers must factor in up to two days to clear and settle a bill payment when paying bills online today. This can lead to service disruptions or late fees and complicate cash flow management for those paying bills last minute.

When available, the FedNow Service will support a range of use cases including facilitating the instant settlement of bill payments, allowing individuals and businesses to move money immediately from their own accounts to biller accounts, at any time, on any day of the week.

Through the FedNow Service, financial institutions can offer innovative instant bill pay capabilities that meet the growing demands of current and potential customers and drive customer loyalty.

**WHAT ARE THE BENEFITS?**

	Consumers	Businesses
<b>Immediate settlement.</b> Certainty of payment receipt helps avoid late fees, risk of account overdraft or damage to credit score.	●	
<b>Payment flexibility.</b> Easily execute last-minute or emergency payments.	●	●
<b>Real-time money management and cash flow.</b> No more waiting for payments in transit or guessing about current account balances/cash positions.	●	●
<b>Improved efficiency for corporate payments.</b> Send enhanced remittance information for e-invoicing and automate payment reconciliation.		●

**WHAT IS THE FEDNOW SERVICE?**

The FedNow Service is being developed by the Federal Reserve Banks to enable financial institutions of every size, and in every community across the country, to provide safe and efficient instant payment services in real time, around the clock, 365 days a year. The FedNow Service will:

- Deliver real-time gross settlement of funds, with integrated clearing functionality, 24x7x365
- Enable funds transfers, settlement and confirmation of good funds in near-real time
- Be offered to financial institutions to enable businesses and individuals to send and receive instant payments conveniently, for example, using mobile devices
- Support a range of use cases





## WHY DO FINANCIAL INSTITUTIONS NEED FEDNOW?

Instant payments are gaining traction in the United States and around the globe.

The FedNow Service will help financial institutions meet the evolving needs of their customers, while keeping pace with the competition. Additional benefits for financial institutions include:

- Reduced interbank settlement risk
- Real-time settlement in central bank money
- Opportunity to grow revenue (e.g., transaction fees, fees for new service or product offerings)
- Reduced costs through increased efficiency (e.g., automation and operations)

### Examples of other instant payments use cases

The first release of the FedNow Service will provide functionality that will support market needs for a range of use cases including those that are gaining in usage. In addition to bill pay, top use cases for instant payments include account to account transfers (A2A) and person to person (P2P) payments. These use cases would allow customers to transfer funds between accounts at different banks (A2A) and make everyday payments to family and friends (P2P) in near real-time.



### P2P

#### *Pay Family & Friends*

Family and friends can immediately request, send and receive money electronically.

### A2A

#### *Me to Me and Me to You*

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



#### *Stored Value or Mobile Wallet Funding/Defunding*

Individuals can fund or cash out stored value accounts without the wait.

#### *Wealth Management*

Individuals can instantly move funds from checking or savings accounts to wealth management accounts.

#### *Corporate Cash Pooling*

Corporations can consolidate funds into a single account.



### START TALKING!

- Reach out to your Federal Reserve account executive for more information
- Ask your third-party processor about their instant payment offerings
- Make the business case for instant payments to your management

Go to **FedNow.org** for updates and to learn more about ways to stay involved with the development of the new service.