



# Settlement Through the FedNow Service

One of the benefits of the FedNow<sup>SM</sup> Service will be that payment messages will clear and settle between financial institutions (FIs) in real time.

The FedNow Service will settle payments to a participating FI's Federal Reserve Bank master account — or the master account of its correspondent (including bankers' banks and corporate credit unions). Settlement through the service will be final.

This document includes information about settlement through the FedNow Service including:

- Designating routing transit numbers (RTNs) to send and receive messages and to settle transactions
  - Mapping to a master account RTN for settlement
  - Using primary/master account RTNs, subaccount RTNs or other secondary RTNs for FedNow activity
- Managing account balances and reconciling activity
  - FedNow Service-specific reports that will be available
  - The Federal Reserve Banks' standard reports that will be updated to include FedNow activity
- Correspondent/respondent relationships
  - Settlement configurations
  - Reporting options for all parties

## Designating RTNs to Send and Receive Messages and to Settle Transactions

During the FedNow Service onboarding process, FIs will be able to designate the specific RTN(s) enabled to send messages and the RTN(s) enabled to receive messages, including the master account RTN, primary RTN (for those who do not maintain a master account) or secondary RTNs (either subaccount RTN or other secondary RTN).

Each FedNow-enabled RTN will be mapped to a single settlement point — the master account of either the participating FI or that of a correspondent — based on instructions from the participating FI (and agreement by its correspondent, if any) and using the Federal Reserve Banks' accounting applications. FedNow Service participants will not need to fund a separate account to settle FedNow activity.

## Managing Account Balances and Reconciling FedNow Activity

FedNow participants will be expected to manage their account in compliance with Federal Reserve policies, including the Payment System Risk (PSR) Policy on intra-day credit and avoiding negative balances at the close of the FedNow cycle date.

Near real-time reconciliation may be accomplished using the advice/acknowledgement message (ISO<sup>®</sup> message pacs.002) for participants, or the notification of debits/credits (ISO message camt.054) for correspondents who have enabled the feature within their FedNow profile.

For tracking and reporting purposes, each transaction will be recorded using the RTNs included within the transaction message.







FedNow participants will be able to perform balance inquiries at the master account RTN or subaccount RTN levels. Other secondary RTNs will be ineligible for balance inquiries.

### Available Reports and Balance Inquiries

The Federal Reserve Banks will provide a variety of tools and reports to help participating FIs manage their account balances and reconcile FedNow activity.

FedNow Service-specific reports will include Account Balance, Activity Totals, Activity Details, Message Status and Message Retrieval.

Additionally, the Federal Reserve Banks' standard accounting reports will be revised to include FedNow activity and will be generated seven days a week.

FedNow Reports	 <b>Account Balance</b>	 <b>Activity Totals</b> <i>summary level</i>	 <b>Activity Details</b> <i>detail level</i>
Standard Reports	 <b>Daily Statement of Account</b> <i>summary level</i>	 <b>Financial Institution Reconciliation Data (FIRD)</b> <i>detail level</i>	 <b>Statement of Account in Spreadsheet File (SASF)</b> <i>detail level</i>

For more in-depth information about detailed reports and accounting, please reference the [Reporting and Reconciliation](#) topic.

### Settlement and Correspondents/Respondents

The FedNow Service will use a correspondent model similar to that of FedACH® Services. This means that the FedNow Service will clear transactions directly between Sender FI and Receiver FI and settlement will take place in the designated master account. Below are other key details correspondents and respondents should know about settlement:

- Correspondents do not need to have a FedNow profile for their respondents to settle against the correspondent's master account. Correspondents may use Account Management Information reports — Daily Statement of Account, FIRD and SASF — to review activity related to FedNow transactions.
- Correspondents that establish a FedNow profile that enables them to send or receive messages through the service will be able to obtain transaction-level detail reports or totals reports using the FedNow Service.
- Correspondents set up to send or receive messages should also consider whether they wish to receive real-time notices and reports from the FedNow Service. If a correspondent requests a notice of real-time activity that settles in its account, the FedNow Service will provide a notification of such debits or credits (camt.054).

FIs that wish to establish a correspondent/respondent relationship should refer to Operating Circular 1 and its Appendix 2: Accounting Transaction Settlement and Service Fee authorization form.

This guide may and is likely to change from time to time, including as the Federal Reserve Banks obtain feedback from various stakeholders. The Readiness Guide is not an agreement with the Reserve Banks and is not necessarily reflective of the final terms, operating procedures, or other documentation for the FedNow Service.

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