



The demand for instant payments is growing

Consumers and businesses are looking to make and receive payments in a way that meets their increasingly on-demand lives.

The Federal Reserve's upcoming instant payment system, the FedNowSM Service, will enable financial institutions, service providers and others in the payments ecosystem to work together to deliver new payment solutions that meet this demand.

Customer needs are changing

The shift toward digital-first commerce and financial services accelerated during the pandemic and does not appear likely to shift back. U.S. consumers have come to expect and appreciate immediate gratification using mobile technology and applications to pay and access the goods and services instantly – with a simple click.

- Four out of five consumers say they are interested in paying businesses with faster payments. And, nearly seven out of 10 consumers use mobile payment devices to send or receive payments, according to a Federal Reserve survey.

4 in 5
CONSUMERS



want to pay businesses with faster payments

Source: 2021 Federal Reserve survey of consumers

Businesses want instant access to funds

According to a 2021 Federal Reserve survey, nearly nine in 10 businesses expect to be ready to make and support 24x7x365 operational faster payments within the next three years.

Businesses are seeking faster/instant payment solutions because of their key features: quicker access to funds (60%), immediate notification of when the payment arrives (58%), the ability to post immediately or automatically to customers' accounts (57%), and the inclusion of remittance details alongside issued payments (55%).

NEARLY
9 in 10
BUSINESSES



expect to be ready to send and receive faster payments within the next three years



What are “instant payments”?



Instant payments are an exciting new breed of payment, ushered in by technological advances and growing demand for real-time digital services of all kinds. Instant payments are those where the transmission of payment messages between payors and payees and funds availability to payees happen in real time – and they can be sent at any time, any day of the year. Some instant payment services – like the FedNow Service – also settle transactions between banks in real time, whereas others settle on a deferred basis.

Instant is sometimes used interchangeably with “faster”, but **instant payments truly are different from other types of faster payments.** For example, same day ACH payments, where a payee’s deposit account is credited a few hours after a payment is initiated, are typically considered faster payments. It’s the immediacy and round-the-clock nature of instant payments that make them truly unique.

How an instant payment works: Useful terminology	
Clearing	Settlement
<ul style="list-style-type: none"> • Involves routing and validating payment messages so the relevant financial institutions can take the actions required to complete or reject the payment • Starts when financial institutions send payment messages through the payment network. The payment network routes these messages and other related information to the relevant financial institutions • For instant payments, clearing for each transaction occurs on a near real-time basis 	<ul style="list-style-type: none"> • The discharge of financial obligations that results from the final transfer of funds between the payers’ and payees’ financial institutions • For instant payments, settlement occurs in real time for each individual transaction; this is frequently termed “real-time gross settlement,” or RTGS <ul style="list-style-type: none"> • Examples of RTGS (instant payment) systems in the United States include the FedNow Service and the Clearing House’s RTP Network • In contrast, for other types of faster payments, settlement occurs on a delayed basis and typically involves netted amounts, termed “deferred net settlement,” or DNS <ul style="list-style-type: none"> • Examples of DNS systems include Zelle®, Visa Direct, Mastercard Send

Instant payments support the development of innovative services for key use cases



It’s not just about person-to-person (P2P). All kinds of everyday payment use cases can be reimagined with instant payments, including account-to-account funds transfers (A2A), bill payments, disbursements, and consumer-to-business (C2B) and business-to-business (B2B) transactions. Using instant payment capabilities like request for payment (RFP) and remittance detail message delivery, clients could benefit from services that streamline bill presentment and bill payment handling, create dynamic QR codes to facilitate instant payments at the point of sale and upgrade the way they make disbursements.



A2A

The movement of funds between two accounts belonging to the same end-user. Benefits include:

- Payment certainty due to immediacy and irrevocability
- Greater flexibility, speed, and transparency
- Ability to move funds to make time-sensitive payments/investments



Bill Pay

Individuals and businesses can pay bills such as loans, utilities and more, with several benefits including:

- Lessen chances of late fees and account overdrafts
- Last-minute or emergency payments with certainty about timeliness
- Improved cash flow and money management
- Confirmation of payment



Disbursements

The paying out of funds, whether to make a purchase or other transaction, that could benefit all parties:

- Improved customer satisfaction and cost savings due to quicker rebates and refunds
- Access to immediate funds in emergencies
- More flexible payroll payment options, equipped to support a growing gig economy and instant payroll



P2P

Reimagine how users send money from their mobile devices/online to one another with these key benefits:

- Immediate and certain fund transfers between sender/receiver financial institution accounts
- Immediate confirmation of payment to the payee
- Less friction when making personal payments



Service providers play a central role

- Service providers provide the connective tissue between financial institutions and their customers, and/or between financial institutions and the network operators. As such, updating service providers' platforms or developing and promoting new, innovative fintech solutions to facilitate instant payments is key to financial institutions' and end users' ability to take advantage of the benefits of instant payments.
- Collaboration among stakeholders across the value chain is needed to continue progressing toward a faster, safer, and more efficient payment system in the United States.

Get ready for the FedNow Service

As organizations become more familiar with instant payments and the potential benefits, it's time to prepare for the FedNow Service.

1. **Get to know the FedNow Service** – visit [FedNowExplorer.org](https://www.fednowexplorer.org) to develop a deeper understanding of how the FedNow Service works and the opportunities it could provide
2. **Assess customer behavior** – their behavior might give you insight into their interest in these types of products
3. **Evaluate opportunities** – such as improving customer experience, offering value-added services, and creating internal efficiencies
4. **Talk to key stakeholders** – discuss instant payment plans with your financial institution partners

The financial services logo and "FedNow" are service marks of the Federal Reserve Banks. A list of marks related to financial services products that are offered to financial institutions by the Federal Reserve Banks is available at [FRBservices.org](https://www.frb-services.org).