



FedNow Payment Flow Process & Funds Availability

One of the primary advantages of the FedNowSM Service will be its ability to clear and settle transactions instantly, allowing financial institutions (FIs) of all sizes to enable their customers to send and receive money in seconds.

To meet the funds availability requirement for the FedNow Service, participating FIs will be required to make funds available to the recipient immediately, 24 hours a day, seven days a week, 365 days a year, except as described in the *Understanding Accept Without Posting* section below.

This section covers the following topics:

- Making funds available immediately to customers
- Responding to payment messages
- Understanding Accept Without Posting (ACWP)
- Notifying FI customers

Note: The topic of funds availability is governed by Regulation J and the Federal Reserve Banks' Operating Circular 8. FedNow participants should consult their legal counsel regarding Regulation J, other applicable laws and terms governing the FedNow Service.

Making Funds Available Immediately

As noted, participant FIs will be expected to make funds available immediately following receipt of an advice of credit. Under Regulation J and Operating Circular 8, this means that a Receiver FI is required to make funds available as soon as is practicable and no more than a few seconds after receipt of an advice, with one exception (see *Understanding Accept Without Posting* below). The Federal Reserve Banks will not prescribe how FIs should make the funds available to their customers from an operational standpoint. A participant FI could meet the availability standard, for example, by memo-posting (where the funds are not yet posted but the funds are included in the customers' balance) or by opting to post the funds to a customer account directly, so long as the funds are available for their customer to use.

Identifying the Recipient

Inside the payment messages (ISO[®] 20022 messages: pacs.008, pacs.004, pacs.009), the recipient is expected to be identified by name, account number and FI via the routing transit number (RTN) of the Receiver FI.

(See the *FedNow Service ISO 20022 specifications* for further details on how each party will be identified in a message.)

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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Responding to Payment Messages

Once the Receiver FI receives a customer credit transfer message (pacs.008) or payment return (pacs.004), it will be required to submit one of these responses by sending a payment status (pacs.002):

- 1. Accept (ACTC):** The Receiver FI can indicate it intends to accept the payment message by responding with the code "ACTC" to a customer credit transfer (pacs.008) or payment return (pacs.004). Following receipt of an accept response, the FedNow Service will settle the funds in the respective master accounts of the Sender FI and Receiver FI and deliver a payment status report (pacs.002) to each of the FIs. An acknowledgement is sent to the Sender FI and an advice of credit is sent to the Receiver FI. Payment by the Federal Reserve Banks to the Receiver FI will be final at the earlier of time of settlement or the time that advice is provided to the Receiver FI.

Upon receipt of the advice from the FedNow Service, the Receiver FI will be required to make funds available immediately to the recipient's account and should provide immediate notice to the recipient. Immediate funds availability will be required by participants of the FedNow Service on a 24x7x365 basis.

The FedNow Service will communicate an acknowledgement of settlement to the Sender FI using the code "ACSC" which stands for "accepted settlement complete." If the Receiver FI does not receive an advice or rejection notice from the FedNow Service for a message to which it responded with "ACTC," it should submit a Request for Payment Status (pacs.028). It is recommended to wait 25 seconds from the message start of clock before sending the inquiry to provide time for the FedNow Service to finish processing and deliver the applicable messages. (See [Understanding the Payment Timeout Clock](#) for more details).

- 2. Reject (RJCT):** If the Receiver FI will not accept the payment message — for example, it cannot confirm it maintains an account for the recipient — it will send a reject response (with code "RJCT") in the pacs.002 to the FedNow Service. Following receipt of a reject response, the Federal Reserve Banks will reject the payment message and notify (pacs.002) the Sender FI and Receiver FI. The Federal Reserve Banks will not settle rejected messages.
- 3. Accept Without Posting (ACWP):** If the Receiver FI has reasonable cause to believe that the recipient is not permitted or entitled to receive a payment, the recipient's bank may notify its Federal Reserve Bank that it requires additional time to determine whether to accept payment using the code "ACWP" (see [Understanding Accept Without Posting](#) below for details). Following receipt of an ACWP response, the FedNow Service will settle the transaction and send an advice/acknowledgement to its respective FIs. The Federal Reserve Banks' Operating Circular 8 and FedNow Service Operating Procedures also establish requirements and expectations for participants if a Receiver FI delivers an ACWP response, as described on the next page.

Understanding Accept Without Posting (ACWP)

What might trigger an ACWP response?

ACWP is a response option that a Receiver FI may use when there is reasonable cause to believe that the recipient is not entitled or permitted to receive payment. For example, if the Receiver FI has reasonable cause to believe that making funds available to the recipient may violate applicable U.S. sanctions, the Receiver FI may notify its Federal Reserve Bank that it requires additional time to determine whether to accept the payment order, including to investigate if the recipient is subject to applicable sanctions. As an additional example, if the Receiver FI has reasonable cause to believe that a particular payment order may be related to fraudulent activity, the Receiver FI may notify its Federal Reserve Bank that it requires additional time to determine whether to accept the payment order, including to investigate the suspected fraudulent activity. In both examples, in the event the Receiver FI gives such notice, the Receiver FI would not be deemed to have accepted the payment order at the time it receives payment from its Federal Reserve Bank.

How ACWP works

Once an ACWP response has been sent, the FedNow Service will continue to process the message. The FedNow Service will settle the transaction and communicate the ACWP status by sending an acknowledgement to the Sender FI and an advice message to the Receiver FI. However, the Receiver FI will not be required to post funds to its customer's account immediately after receiving an advice through the service. Instead, if the Receiver FI accepts after completing its investigation, it will be required to make funds available to its customer immediately after it determines that the recipient is entitled and permitted to receive the payment.

The Federal Reserve Banks will not be able to cancel payment messages confirmed by the Receiver FI with an ACWP response because they will settle and execute those messages in real time. The Sender

FI will be able to request a return from the Receiver FI and, depending on the timing and other factors and circumstances, the Receiver FI may be able to cancel the payment message or otherwise initiate a return. Even then, the Receiver FI will likely need to resolve the issue that caused it to hold the payment before processing the return and it may need to seek authorization from its customer.

FedNow Receiver FI process:

A. Investigation

The Receiver FI will be required to complete its investigation and act on the payment message as soon as possible — no later than midnight Eastern Standard Time of the next business day that is not a weekend day or holiday, unless at that time the Receiver FI continues to have concerns that accepting the payment and making funds available would be impermissible under applicable law.

B. Payment Status Update

At the time of the deadline, the Receiver FI must provide a payment status update (pacs.002) to the Sender FI in all cases. The status update options are either “**final**” or “**pending**”:

- **Final status**

- **Posted** – The Receiver FI accepted the payment order and posted funds to its customer's account.
- **Blocked** – The Receiver FI blocked the payment order (i.e., the funds are held by the Receiver FI pursuant to applicable law; funds are not posted to the receiver nor returned to the sender).
- **Rejected** – The Receiver FI rejected the payment order (or it has been canceled by operation of law) and will send a return payment to the Sender FI.

Note: *The Receiver FI may process a return payment related to a payment order it rejected through the FedNow Service or use another channel.*

- **Pending status** – The transaction requires further investigation. After the midnight deadline, the Receiver FI may only use this status if it continues to be concerned that the recipient is not entitled or permitted to receive payment. **In this case, the Receiver FI is also required to provide a final status once the investigation is complete and to respond to any status update requests (pacs.028) submitted by the Sender FI.** A Sender FI may send a payment status request message to the Receiver FI when a payment order has a “pending” status and the Receiver FI is expected to provide an update.

C. Final Determination

The Receiver FI will take the following steps once a final determination is made on whether it will accept the payment.

- **Funds Made Available** – If the Receiver FI determines it will accept the payment and make funds available to the recipient, then the Receiver FI must do so and should send a confirmation of posting message through the FedNow Service to the Sender FI indicating that funds are available to the recipient.
- **Funds Not Made Available** – If the Receiver FI determines it will not accept the payment order and accordingly will not make funds available, the Receiver FI must promptly refund the amount

of the payment, unless the Receiver FI is legally prohibited from doing so.

- If the Receiver FI is enabled to send credit transfers through the FedNow Service, such refund may be made by initiating a return of funds. This message should reference the original FedNow payment message in accordance with FedNow Service Technical Specifications.
- If the Receiver FI is not able to send customer payments through the FedNow Service, such refund may be made by sending a payment through another payment mechanism. Refunded payments through other channels should reference the original payment message ID number in the return payment.

- **Funds Not Made Available and Not Refunded** – If the Receiver FI determines not to make funds available to the recipient and is legally prohibited from refunding the payment, the Receiver FI must inform the Sender FI that the amount of the payment order has been blocked under applicable law. This is communicated via the “**blocked**” final message status (pacs.002) described on the previous page.

FedNow participants should consult their legal counsel for more information regarding Regulation J, other applicable laws and terms governing the FedNow Service.

Notifying Your Customers

Consistent communication is essential for an optimal customer experience with instant payments. The Receiver FI should notify the recipient that the funds are available. The Sender FI should also notify the sender that the transfer was successfully processed.

The Federal Reserve Banks strongly encourage Receiver FIs to use a “Confirmation of Posting” status for optimal customer experience, which increases transparency and potentially reduces customer inquiries regarding status of transactions. Where it receives a confirmation of posting status, the Sender FI should also communicate the confirmation of posting to the sender.

FIs are responsible for establishing their own disclosure requirements in compliance with applicable law. As noted above, the Federal Reserve Banks will not prescribe how FIs provide notice to their customers; however, it is best practice for FIs to establish an approach that results in consistent and immediate communication to their customers across the channels and access points that their customers have enabled (e.g., online banking, mobile banking, branch tellers, call center, interactive voice response (IVR), etc.).

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