



# **PAYMENTS PROFESSOR**

**FEDNOW KNOW NOW**

**WORKBOOK**





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### 1. What is FedNow?

The **FedNow** Service is a \_\_\_\_\_ service that the Federal Reserve Banks are developing to enable financial institutions of every size, and in every community across the U.S., to provide safe and efficient instant payment services in \_\_\_\_\_, around the clock, \_\_\_\_\_ of the year.

### 2. What features will be included in the FedNow launch?

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

### 3. How will you access FedNow?

Financial institutions can access FedNow \_\_\_\_\_ or via a \_\_\_\_\_ bank, \_\_\_\_\_ bank, \_\_\_\_\_ credit union, or a service provider with access to FedLine.

Businesses and/or consumers will access FedNow through their \_\_\_\_\_.



#### 4. What types of payments will be available with FedNow?

FedNow will accommodate many different types of payments.

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

#### 5. How will FedNow Payments Flow?

- a) The \_\_\_\_\_, either an individual or business, initiates a payment by sending a payment message to its financial institution.
- b) The sender's financial institution submits a payment message to \_\_\_\_\_.
- c) FedNow \_\_\_\_\_ the payment message.
- d) FedNow sends the contents of the payment message to the receiver's financial institution to seek \_\_\_\_\_ that the receiver's financial institution intends to \_\_\_\_\_ the payment message.
- e) The receiver's financial institution sends a \_\_\_\_\_ response to FedNow, \_\_\_\_\_ that it intends to accept the payment message.
- f) FedNow debits and credits the \_\_\_\_\_ accounts of the sender's and receiver's financial institutions (or their correspondent financial institutions).



- g) FedNow sends a payment message forward to the receiver's financial institution with an advice of credit and sends an acknowledgment to the sender's financial institution, notifying it that settlement is \_\_\_\_\_.
- h) The receiver's financial institution \_\_\_\_\_ the receiver's account.

## 6. How will FedNow impact the Banking Industry?

Benefits will include:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

## 7. What is the difference between faster payment systems?

Common Faster Payments Options Include:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

FedNow will have (be) its own payment service by the Federal Reserve Banks. Other payments options operate at different speeds and over different payment rails.



## 8. Is FedNow a Closed or Open Loop System?

FedNow is an \_\_\_\_ loop system.

### BONUS QUESTION

What is an Open Loop system?

An \_\_\_\_ loop system enables payers to be able to pay a \_\_\_\_ group of payees than a \_\_\_\_ loop system.

In an open loop system, you can send payments to those who have an account with a \_\_\_\_\_ Financial Institution.

## 9. Will FedNow be Deferred or Real-Time Settlement?

FedNow is \_\_\_\_\_ settlement.

What is real-time settlement?

The transfer of final funds between the payer's and payee's Financial Institutions occurs \_\_\_\_\_ the transmission of the payment message, and just seconds \_\_\_\_\_ the payee's FI makes the payment available to the payee.

## 10. What are the benefits of FedNow Instant Payments?

- Certainty of payment
- Speed
- Convenience
- Improved cash flow



- Ease of managing finances
- And more!

### 3. ANSWER KEY

#### 1. What is FedNow?

The **FedNow** Service is a **new instant payment** service that the Federal Reserve Banks are developing to enable financial institutions of every size and in every community across the U.S., to provide safe and efficient instant payment services in **real-time**, around the clock, **every day** of the year.

#### 2. What features will be included in the FedNow launch?

- 24x7x365 access
- ISO® 20022 standard
- Option to enroll as a “Receive-Only” participant
- Request for Payment
- Value limits
- Reporting features

#### 3. How will you access FedNow?

Financial institutions can access FedNow **directly through FedLine** or via a **correspondent** bank, **banker's** bank, **corporate** credit union, or a service provider with access to FedLine.





Businesses and/or consumers will access FedNow through their **financial institution**.

#### 4. What types of payments will be available with FedNow?

FedNow will accommodate many different types of payments.

- Person-to-Person P2P
- Consumer-to-Business C2B
- Consumer-to-Government C2G
- Government-to-Consumer G2C
- Business-to-Consumer B2C
- Business-to-Business B2B
- Business-to-Government B2G
- Account-to-Account A2A

#### 5. How will FedNow Payments Flow?

- a) The **sender**, either an individual or a business, initiates a payment by sending a payment message to its financial institution.
- b) The sender's financial institution submits a payment message to **FedNow**.
- c) FedNow **validates** the payment message.
- d) FedNow sends the contents of the payment message to the receiver's financial institution to seek **confirmation** that the receiver's financial institution intends to **accept** the payment message.



- e) The receiver's financial institution sends a **positive** response to FedNow, confirming that it intends to **accept** the payment message.
- f) FedNow debits and credits the **master** accounts of the sender's and receiver's financial institutions (or their correspondent financial institutions).
- g) FedNow sends a payment message forward to the receiver's financial institution with an advice of credit and sends an acknowledgment to the sender's financial institution, notifying it that settlement is **complete**.
- h) The receiver's financial institution **credits** the receiver's account.

## 6. How will FedNow impact the Banking Industry?

Benefits will include:

- Compete with the private sector
- Provide cashless contactless options
- Reduced interbank settlement risk
- Real-time settlement
- Opportunity to grow revenue
- Account Holder retention
- Reduced costs

## 7. What is the difference between faster payment systems?

Common Faster Payments Options

- Same Day ACH via ACH Network



- Mastercard Send or Visa Direct via Card Networks
- RTP from The Clearing House
- Instant Payments via FedNow
- Zelle by Early Warning Systems

*Note: Zelle was not mentioned in the Final but is considered a common "faster payment option"*

FedNow will have (be) its own payment service by the Federal Reserve Banks. Other payments options operate at different speeds and over different payment rails.

## 8. Is FedNow a Closed or Open Loop System?

FedNow is an **Open** Loop system.

### BONUS QUESTION

What is an Open Loop system?

An **open** loop system enables payers to be able to pay a **wider** group of payees than a **closed** loop system.

In an open loop system, you can send payments to those who have an account with a **different** Financial Institution.

## 9. Will FedNow be Deferred or Real-Time Settlement?

FedNow is **real-time** settlement.



What is real-time settlement?

The transfer of final funds between the payer's and payee's Financial Institutions occurs ***with*** the transmission of the payment message and just seconds ***before*** the payee's FI makes the payment available to the payee.

## 10. What are the benefits of FedNow Instant Payments?

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- Ease of managing finances
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