



The U.S. Faster Payments Council – Town Hall Series

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Kirstin Wells

Economist,
Federal Reserve Board

Kirstin Wells is an Economist at the Federal Reserve Board in Washington, D.C. Kirstin's career has been focused on regulatory and policy analysis of financial market infrastructures including large-value and retail payment systems and derivatives CCPs. Prior to joining the Board in 2017 Kirstin was an officer at the Options Clearing Corporation, the Federal Reserve Bank of Chicago, and Wachovia Corporation. Kirstin received her doctorate in Public Policy from the University of North Carolina Charlotte.



Charles Harkness

SVP, Corporate One FCU
Chair, FPC's Education &
Awareness Work Group

Charles Harkness is Senior Vice President, Strategic Operations Officer at Corporate One FCU. Charles has 38 years of experience in the financial services industry, joining Corporate One/Southeast Corporate in December of 2002, bringing extensive knowledge and experience from his 22 years of service with the Federal Reserve Bank. Charles served on the Faster Payments Task Force, the Governance Framework Formation Team and the FPC's interim board.

Federal Reserve FedNowSM Service

Kirsten Wells
Federal Reserve Board






AGENDA

1. Decision to Offer the FedNowSM Service and the Faster Payments Journey
2. Benefits and Proposed Features of the FedNow Service
3. Exploration of Expanded Hours for the Fedwire[®] Funds and National Settlement Services
4. Next Steps and How to Comment



Decision to Offer the FedNow Service and the Faster Payments Journey



Payment System Modernization

On August 5, the Federal Reserve Board announced:

- The Federal Reserve Banks will develop a new round-the-clock real-time payment and settlement service, called the FedNow Service, to support faster payments in the United States
- The Federal Reserve will explore the expansion of Fedwire Funds Service and National Settlement Service (NSS) hours, up to 24x7x365

Faster Payments are the Future

Driven by advances in technology, faster payments provide economic benefits



Better cash flow management for small businesses

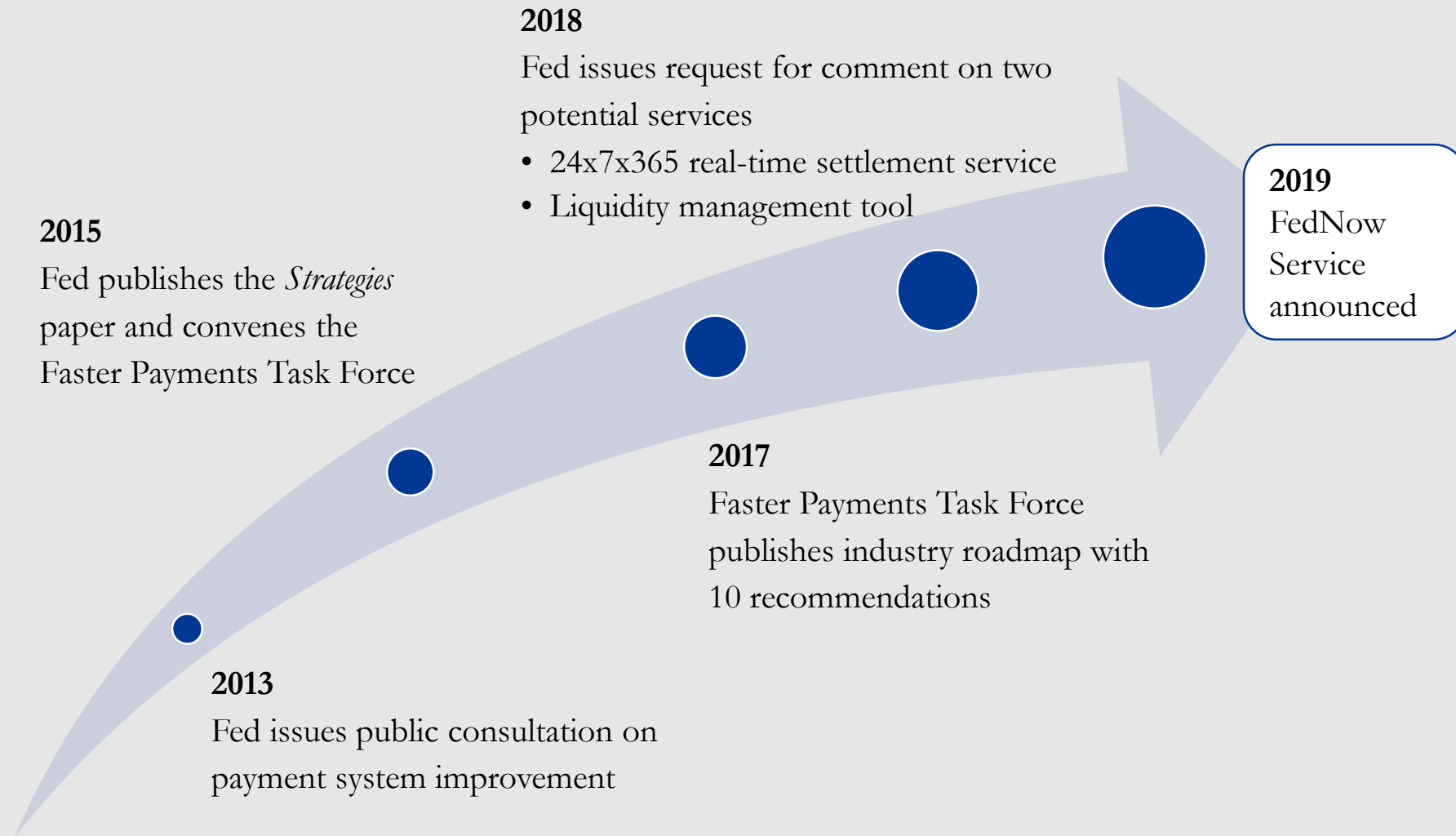


Allow individuals and businesses to make time-sensitive payments whenever needed



Final funds received in real-time for immediate use

The Faster Payments Journey





Benefits and Proposed Features of the FedNow Service

Introducing the FedNow Service



The FedNow Service is a new interbank 24x7x365 real-time gross settlement (RTGS) service for faster payments with integrated clearing functionality



The service will

- Enable financial institutions across the country to offer real-time payments to their customers
- Operate alongside private-sector services
- Provide a modern payment infrastructure for safe and efficient faster payments that allows innovation and competition to flourish



Determining factors

- Analysis of public comments received in response to the 2018 request for comment
- Board's policy assessment that such a service would meet the requirements of the Monetary Control Act and the Board's criteria for new or enhanced Reserve Bank payment services

Public Benefits of the FedNow Service



Accessibility

- The FedNow Service will be accessible to financial institutions of all sizes, including smaller banks in rural and remote areas of the country, allowing participants to offer faster payments to communities they serve
- Broad accessibility will support the development of faster payments with nationwide reach



Safety

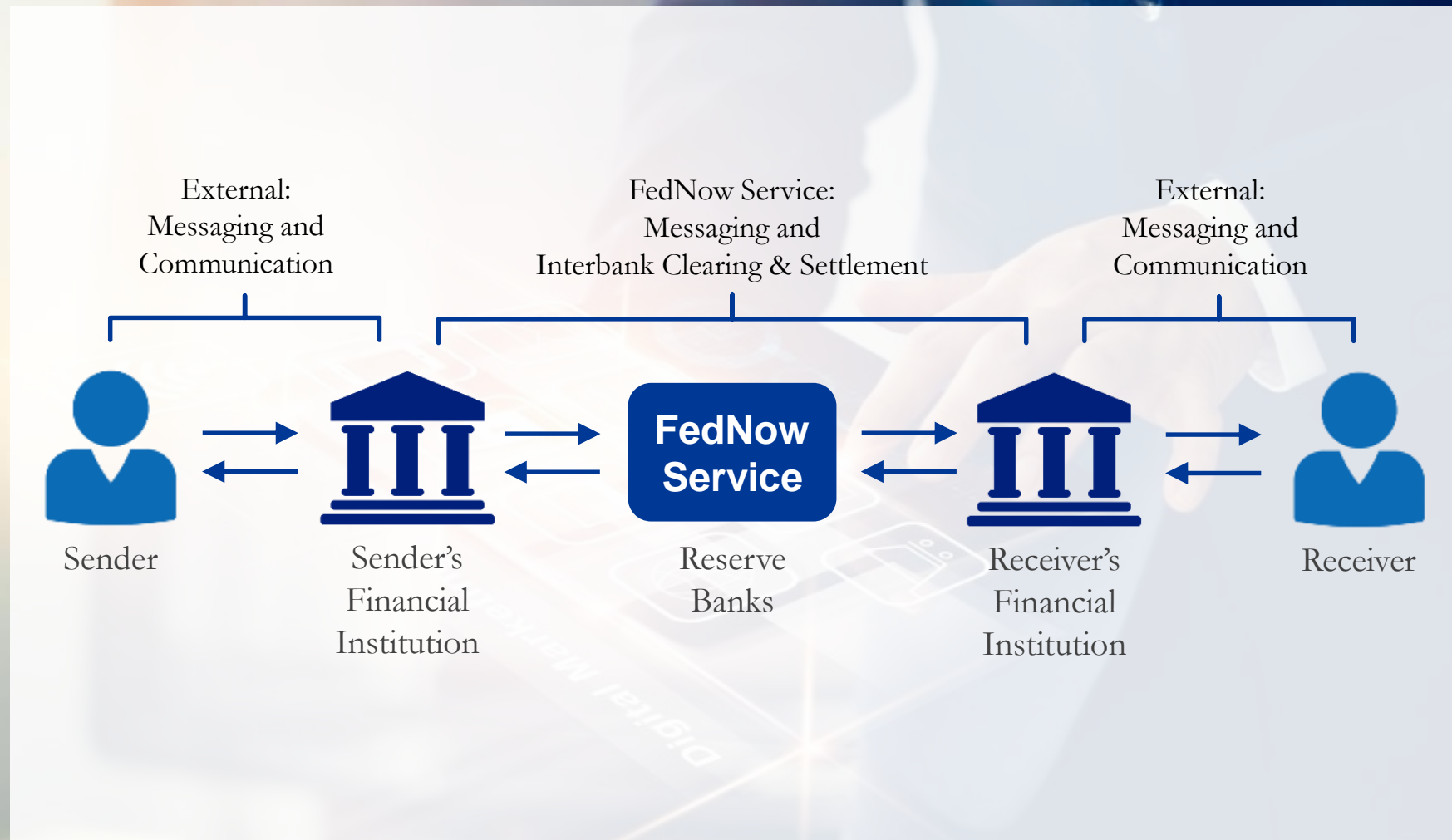
- Financial institutions will be able to achieve resiliency through redundancy
- The Federal Reserve will continue its vital role in providing liquidity and operational continuity to the retail payment system in times of crisis
- As an operator, the Federal Reserve will promote the development and implementation of fraud-mitigation standards for faster payments



Efficiency

- The FedNow Service will be a key part of the foundation on which financial institutions across the country and the broader payments industry can build modern, innovative faster payment services
- Increased competition in RTGS faster payment services can yield lower prices and higher service quality, ultimately benefitting end users

FedNow Service Payment Flow



Proposed Features of the FedNow Service



Real-time processing of individual credit transfers on a 24x7x365 basis



Final and irrevocable settlement of payments in financial institutions' master accounts at the Reserve Banks



Integrated clearing functionality with messages based on the ISO[®] 20022 standard



Transaction value limit of \$25,000, at least initially



Real-time confirmation of validity of the receiver's account



Access to intraday credit on a 24x7x365 basis consistent with the Federal Reserve's Policy on Payment System Risk

Proposed Features of the FedNow Service



End-of-day balances calculated each day of the week with reports to support transaction monitoring, reporting, and reconciliation



Payment messages containing additional descriptive information related to payments, such as remittances or invoices



Access through FedLine® Solutions, which will be enhanced to support 24x7x365 access



Support for indirect access through agents and correspondent banks

Auxiliary Features Under Consideration



Request for Payment

Would allow the receiver to initiate a payment by sending a message to the sender



Directory

Would allow a sender to initiate a payment using the phone number or email address of the receiver



Fraud Prevention Services

Fraud-monitoring capabilities to aid in mitigating risk

Achieving Ubiquity in Faster Payments

Nationwide reach is a key objective of the Federal Reserve

- A payment system with two operators can achieve nationwide reach in two primary ways – direct message exchange or dual participation
- To facilitate either approach, the ecosystem would be well-served to have common layers and elements agreed to by the operators
 - Standard message types, rules
- The Federal Reserve will explore these and other approaches to achieve nationwide reach through industry engagement



Exploration of Expanded Hours for the Fedwire Funds and National Settlement Services

Expanded Hours for Existing Fed Services

Potential for expanded Fedwire Funds Service and NSS hours, up to 24x7x365

- Expanded Fedwire Funds Service and NSS hours would provide further support to RTGS services based on a joint account
- Expanded hours could also benefit other retail and wholesale payment activities

Further risk, operational, and policy analysis will begin shortly, and the Federal Reserve will engage with the industry on this effort



Next Steps and How to Comment

Comment Period and Next Steps

The Federal Reserve Board requests public comment on all aspects of the FedNow Service

- The comment period runs through November 7, 2019
- Throughout the comment period (and beyond), the Federal Reserve will engage industry stakeholders to gather input on all aspects of the service

Following the comment period, the Federal Reserve will review feedback gained through written comments, industry groups and forums to finalize the design and features of the FedNow Service

- The Board will publish a final FedNow Service description in a subsequent *Federal Register* notice




LEARN MORE

1. Review the *Federal Register* notice for details of the Board's analysis and the planned FedNow Service
2. Visit FedPaymentsImprovement.org
3. Register to attend additional events via the Fed events page on FedPaymentsImprovement.org

Education Work Group Questions

Here are some questions to get the conversation started...

- Do you feel that the \$25,000 transaction limit is appropriate? Should it be reviewed and/or adjusted on a periodic basis?
- Is the 9 pm ET closing time to account for daily transactions to FedNow workable or should it be extended to later, such as midnight ET?
- Has the Fed considered the role the core processors will play in connecting community banks/credit unions to FedNow?
- How does the Fed plan to work with the core providers to ensure that they can implement FedNow and the Fedwire changes at the same time?



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