

# FedNow<sup>SM</sup> Pilot Survey Report

The U.S. Faster Payments Council (FPC) is the leading industry organization focused on driving the United States to ubiquitous, safe, easy-to-use faster and instant payments. As market developments continue to shape the development of solutions, the FPC is positioned to help our members formulate their individual instant payments strategies by providing market insights that are only available to our members.

To that end, the FPC has undertaken a special project to help all of our members gain an enhanced understanding of the recently-announced pilot of the FedNow<sup>SM</sup> system by providing insights from FPC members who are participating in the pilot. Nearly 1/3 of the pilot participants are FPC members, and they represent financial institutions (ranging from large national banks to community banks and credit unions as well as bankers' banks and corporate credit unions), technology providers operating on behalf of their client financial institutions, and other payment network operators who leverage various rails for settlement.

This initial report provides a summary of the perspectives of these organizations as they head into the pilot. Going forward, we plan to follow-up with surveys regarding the experience during the pilot, any lessons learned, and other areas of interest to FPC members who are planning to implement instant payments but are not participating in the FedNow<sup>SM</sup> pilot.

## **Section 1: Benchmarking**

**Reasons for Participating.** We started the questionnaire by asking these members why they decided to join the pilot program. The themes that emerged were clear and powerful. FedNow<sup>SM</sup> pilot participants frequently mentioned their desire to help lead the industry to ubiquitous faster payments. They expressed a desire to provide their knowledge and expertise to the effort, many noting their previous participation in the Fed's Faster Payments Task Force, a precursor to the FPC, with a few specifically noting their belief that the Fed will act equitably in its role.

A great many expressed a desire to shape the development and functionality of the FedNow<sup>SM</sup> platform, including a desire to ensure the highest level of compatibility between FedNow<sup>SM</sup> and RTP<sup>®</sup> from The Clearing House as possible. Many also noted their belief that supporting instant payments through FedNow<sup>SM</sup> will be important to their customers – both consumer customers as well as business customers.

**Other Services Offered and Planned.** To assist in level-setting, we also asked the survey participants what other faster payments services they were currently using or planning to use. The responses to this question somewhat varied depending upon the size of the respondent. Nearly all of the very large technology providers and financial institutions who participated in the survey are currently offering a wide array of faster payments services, including RTP<sup>®</sup> from The Clearing House, Zelle<sup>®</sup> from Early Warning, Same Day ACH, and push-to-card services (e.g., those offered by Visa, Mastercard, and Shazam). The vast majority of respondents, aside from those who would be classified as small or



medium financial institutions, are already using (or planning to use) RTP®. Small and medium financial institutions who responded to the survey were more likely to indicate plans for implementing FedNow<sup>SM</sup> as their only instant payments service, but several noted the use of card-based push payments as faster payments services that they offer today.

Among the majority of the respondents that are already using, or planning to use, other faster payments services, the primary motivation for adopting FedNow<sup>SM</sup> is a desire to provide additional choice in the marketplace and to extend the reach of their existing instant payments offerings. Several referred to an expectation that FedNow<sup>SM</sup> would achieve ubiquitous reach, either resulting from the fact that it will be connected directly to the financial institution's Federal Reserve Account or by connecting with other networks. Others pointed to the benefits of redundant processing to ensure reliability.

Among the minority who are not currently using, or planning to use, other immediate or instant payments services, many pointed to the collaborative nature of the FedNow<sup>SM</sup> project and an expectation that the Federal Reserve will act as a "trusted partner" for community banks. One respondent mentioned that the Federal Reserve is their exclusive provider of settlement services, and that respondent views FedNow<sup>SM</sup> as an extension of that existing relationship.

## **Section 2. Goals and Challenges**

**Goals.** We then asked our survey participants about their goals and objectives for the pilot as well as any anticipated challenges. In terms of their goals and objectives, a few clear trends emerged across the respondents. Many respondents were particularly interested in guiding the FedNow<sup>SM</sup> pilot in a way that maximized the level of interoperability between FedNow<sup>SM</sup> and other networks, with many specifically mentioning RTP®. Respondents also see pilot participation as a source of competitive advantage. Service providers view participation in FedNow<sup>SM</sup> as critical to providing the services their clients desire, and participation in the FedNow<sup>SM</sup> pilot positions them to "be ready on day one." Another motivating factor for many was a desire to help promote the "robust adoption" of instant and faster payments and reducing the work needed for financial institutions to implement. A number of respondents also believe the pilot will be fertile ground for identifying and testing various use cases to gain additional understandings in advance of the market launch.

**Challenges.** In terms of challenges, once again a number of themes emerged across a large number of respondents. One challenge many participants pointed to was regarding the ability of a large, diverse set of pilot participants remaining on the aggressive timelines prescribed. Some pointed to resource constraints within their own (or other participants') organizations as a factor that should be considered as the project progresses, adopting a "realistic roadmap" for all pilot participants. Another theme related to the expectation of some participants that competing interests and priorities could lead to inequitable treatment of smaller participants by larger participants when collaboration and cooperation will be required by all participants. The coordination of a large number of stakeholders, particularly regarding interoperability, which one respondent noted "requires collaboration," is seen as a challenge for a variety of reasons. Additionally, several respondents pointed to the difficulties of transitioning from "8/5" processing to "24/7" processing, and a number suggested the need for greater education to support the network and participants.

### Section 3. Use Cases

Finally, in the spirit of always looking forward, we asked the respondents which use cases they see as the most compelling, both for FedNow<sup>SM</sup> and (to the extent there is a difference) other faster payments services they are using or planning to use. Many respondents suggested an openness to a variety of use cases, but a few use cases clearly rose to the top in terms of preference. As you can see in the word cloud (below) created using the responses to the survey, a few themes emerged – B2B, bill pay via request for payment, A2A, B2C (e.g., gig, payroll), and P2P. Respondents mentioned C2B payments in a few other specific contexts (e.g., loan payments, consumer to small business), but typically as longer-term areas of interest.

We also asked what use cases our respondents saw as most compelling for other faster payments services, and the respondents generally believed there was not a significant difference (or did not plan to use other services), though some did note certain specific exceptions. For example, one respondent noted that an existing faster payment service is likely better suited to P2P payments while another noted that the specific features and design of various networks will impact the use cases the networks are ultimately used for. Another noted that longer-term they viewed the potential for “opening up merchant access” to instant payments as compelling.

