

Regulatory Alert

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Real-Time Payments: FedNow Service to launch mid-2023

Coincident with the long-anticipated announcement of the FedNow Service launch, Federal Reserve Board Governor Brainard called on industry stakeholders to make a focused and “substantial commitment” to real-time payments. She stated, “The time is now for all key stakeholders—financial institutions, core service providers, software companies, and application developers—to devote the resources necessary to support instant payments. This means:

- upgrading back-office processes,
- evaluating accounting procedures to accommodate a seven-business-day week,
- arranging liquidity providers,
- deploying a new customer-facing application, and
- promoting instant payments for key use cases to customers.”

The Federal Reserve Board announced that its real-time payments system, FedNow Service, is expected to launch in mid-2023, specifically targeting a production rollout in the May to July timeframe. The FedNow Service, which is built on a “cloud-first design,” was first announced in 2020 and intended to serve as an alternative to the existing private-sector real-time payments system i.e., The Clearing House RTP (Real-Time Payments) network), effectively addressing concerns about economic security should the single service become unavailable. The FRB states that it has “worked closely with the private-sector RTP instant payment service on message specifications to ensure alignment in support of routing interoperability.”

In anticipation of the FedNow Service launch, the FedNow Pilot Program, with over 100 participating organizations, will begin technical (pilot) testing in mid-September to ensure operational and messaging readiness. Pilot participants will be expected to complete a certification process before moving into production once the FedNow Service is launched.

The Federal Reserve Board also indicates that as the FedNow Pilot Program enters the technical testing phase, it will begin to engage with non-pilot financial institutions and service providers interested in early adoption of the service.

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