US launches long-awaited instant payments service

FedNow will eliminate the several-day lag it commonly takes for cash transfers to settle

The US Federal Reserve is due to imminently launch a long-awaited service which will aim to modernise the country's payment system by eventually allowing everyday Americans to send and receive funds in seconds, 24 hours a day, seven days a week.

The "FedNow" service, which has been in the works since 2019, will seek to eliminate the several-day lag it commonly takes to settle cash transfers, bringing the US in line with countries including the United Kingdom, India, Brazil, as well as the European Union, where similar services have existed for years.

FedNow is launching with 41 banks and 15 service providers certified to use the service, including community banks and large lenders like JPMorgan Chase, Bank of New York Mellon, and US Bancorp, but the Fed plans to

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onboard more banks and credit unions this year. The service will compete with private sector real-time payments systems, including The Clearing House's RTP network, and was initially opposed by big banks who said it was redundant. But many have since agreed to participate on the basis that FedNow will allow them to expand the services they can offer to the clients.

"For us, FedNow really is a wonderful way of expanding reach," said Anu Somani, head of global payables and embedded payments at US Bank. Unlike peer-to-peer payments services like Venmo or PayPal, which act as intermediaries between banks, payments made via FedNow will settle directly in central bank accounts.

"We want our clients to benefit from these capabilities, and we want that to be a competitive edge for us, said Carl Slabicki, global co-head of payments for BNY Mellon's Treasury Services.

FedNow will not charge consumers, although it's unclear whether or how participating banks will pass on any costs associated with the service.