

The Federal Reserve's 24/7 payment system could deposit your paycheck instantly

First announced in 2019, FedNow acts as a “common network” between banks and credit unions, making it easier for them to route funds across different institutions. So far, there are only 35 participating banks and credit unions, along with the US Department of the Treasury's Bureau of the Fiscal Service.

Once it's widely adopted, though, it will let you transfer funds between different bank accounts instantly or even pay your credit card bill on a bank holiday without worrying about it being late. And, if you have direct deposit, your paycheck should surface in your account as soon as you're paid.

FedNow doesn't compete with apps like Venmo or Zelle, which act as middlemen for peer-to-peer transactions, since there's no app to install and it only operates between the banks or credit unions. However, it does require having both financial institutions as participants in the network, and it could take months or years for those numbers to grow substantially.

While the Federal Reserve has a \$500,000 cap on the amount of money you can send, participating financial institutions will start with a default limit of \$100,000, with the ability to raise or lower that amount. Financial institutions can also use negative lists to help protect against fraud.

The Federal Reserve doesn't name the financial institutions that currently have access to FedNow, but it said in June that JPMorgan Chase, Bank of New York Mellon, US Bancorp, and Wells Fargo are among those ready to support FedNow.

“The Federal Reserve built the FedNow Service to help make everyday payments over the coming years faster and more convenient,” Federal Reserve Chair Jerome H. Powell says in a statement. “Over time, as more banks choose to use this new tool, the benefits to individuals and businesses will include enabling a person to immediately receive a paycheck, or a company to instantly access funds when an invoice is paid.”

It’s about time that the US implements an instant payment, as other parts of the world, including the European Union, the UK, India, and others, have long had similar systems. I don’t know about you, but I’m pretty pumped about getting my paycheck faster.

<https://www.theverge.com/2023/7/20/23802277/federal-reserve-fednow-instant-payment-service>