



DISCUSSION OF
FEDNOW AND FASTER
PAYMENTS IN THE US
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Disclaimer: The views expressed in this presentation are only those of the author and no responsibility for them should be attributed to the Bank of Canada or its Governing Council.

What Does the Paper Do?

- Introduction to payments, including empirical facts, institutional knowledge, and rationale behind retail fast payments systems (FPSs)
- Comparing FedNow vs Brazilian and UK systems
- Use cases of FedNow
- Discussing the relationship between FedNow and new and future developments in the payments landscape, including CBDC and tokenization

Plan



Comparison to Canadian payments systems



Motivations



Discussion of some use cases, esp. cross-border payments



Relationship between Fast Payments Systems and CBDC

US vs. Canada



Payments Systems of Canada vs. the US

Canadian System	Equivalent U.S. System	Purpose
Lynx	Fedwire	RTGS , high-value interbank settlement for large transactions
Automated Clearing and Settlement System (ACSS)	ACH (Automated Clearing House)	Batch-based clearing and settlement system for low-value payments, including direct deposits, bill payments, and checks.
Real-Time Rail (RTR) by Payments Canada	Fed Now & RTP by The Clearing House	Provide instant payments, 24/7 real-time settlement for retail and small business transactions.
Retail Payment Networks (Interac e-Transfer, Credit/Debit)	Zelle, Debit/Credit Card Networks (Visa, Mastercard)	Interac and Zelle facilitate P2P payments , while credit and debit networks support consumer retail transactions.
Digital Wallets and Mobile Payments	Apple Pay, Google Pay, PayPal, Venmo	Supports mobile payments linked to existing credit/debit cards and bank accounts, widely used for P2P and retail transactions.

RTR
TB lunched in
2026,
operated by
**Payments
Canada,**
regulated by the
Bank of Canada

All members must meet Payments Canada's
operational risk and other requirements;
"Exchange only"

To become a **direct** settlement participant all
members must meet the Bank of Canada's
operational and risk requirement
"Exchange & Settlement"

No competitor in Canada

Inducing banks to participate in RTR should be
easier.

Motivation



Motivation: Why Fast Payments?

1. Discharging of the obligations
 - Fast payments are useful when the payee is in urgent need of the money
2. Delivery vs payments:
 - Fast payments are useful when credit provision (in a general sense) is unavailable or costly.

Motivation: Why FedNow?

- Competition: It effectively creates a duopoly, given that RTP is private, and no other private entity would step in.
- Resiliency: customers have access to a reliable and fast PS when alternatives cannot operate due to natural disasters, cyber events, etc.

Use Cases



Use Cases

- Current use cases:
 - Majority is loading or retrieving money in applications like Venmo
 - B-to-P fast payments, like refunds and payments to gig workers
 - Micro payments for identity verification
- Long run:
 - Government payments
 - Cross-border Payments: Should countries with close ties connect their fast payments systems? Costs and benefits?
 - Take more market share from credit cards as a rail: there is (enormous) money on the table, and banks have incentive to have access to the information from bank accounts.
 - Giving participants **direct access to CB balance sheet** is a natural step forward

Potential and Emerging Systems



Potential and Emerging Systems: CBDC

- CBDCs can enhance interoperability among payment systems, may simplify international transactions, and can strengthen monetary policies (Bhattarai, Davoodalhosseini and Zhao, 2024).
- FPSs may fulfill many CBDC rationales effectively, including
 - Resiliency
 - Contestability and fighting market power
- CBDC (at least some designs) would not rely on intermediaries for operations
- Reducing market power of not only institutions that provide “rails” but also depository institutions (Chiu et al., 2024)

FPS vs CBDC

- Overall, the integration of FPSs and CBDCs could lead to a more efficient financial ecosystem.
 - Redundancy should not be a problem.
- What if the CB should make a choice between FPS and CBDC?

Concluding Remarks

- Definitely read the paper! Super useful for payments policy analysis:
 - very informative,
 - full of empirical and institutional facts, and
 - discusses various use cases for FPSs and proposes new ones.
- I'd suggest adding discussion about cross-border usage of FPSs, and enrich the discussion on new developments, esp. CBDC.