

FedNowSM

A Public Affairs Campaign Proposal

Jessica Brooks



Project Outline

1 Introduction

- Background on FedNow and Real-Time Payments
- The Issue
- The Client
- Stakeholders

2 Public Affairs and FedNow

- Client Goals
- Opportunities
- Challenges

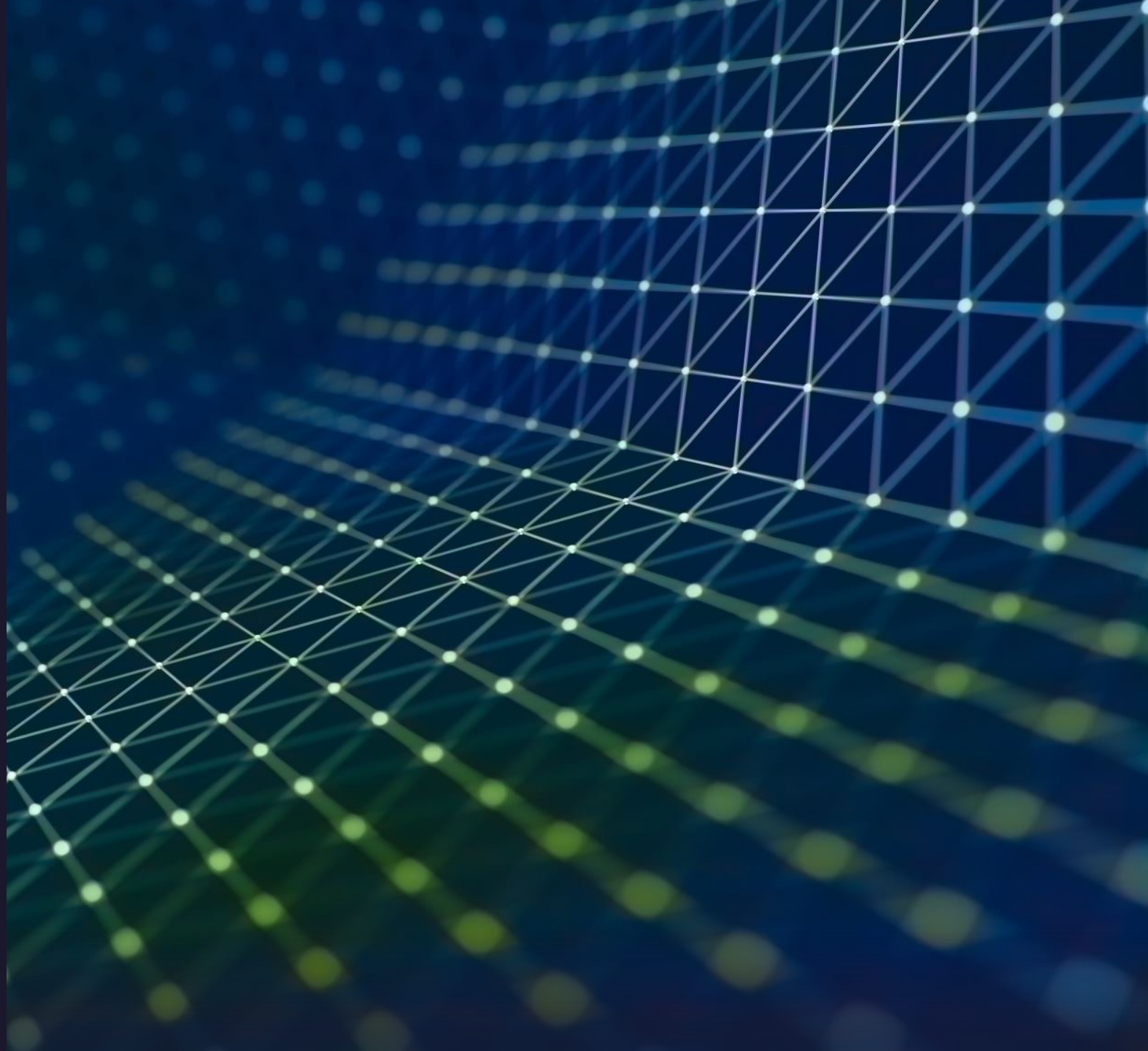
3 Strategies and Tactics

- Strategies
- Tactics

4 Summary

5 References

Introduction



Background

What are real-time payments (RTP) and why does it matter now?

In today's fast paced, digital world, people and businesses expect quick, convenient, and secure payments. And when a crisis hits, sending and receiving money quickly is crucial.

Today, not all banks can process payments instantly. In the U.S., most electronic debits and credits go from sender to receiver after going through a bank-to-bank settlement process that takes about 1-2 business days. Only about 100 banks offer true real-time payments.ⁱ And there isn't an instant settlement network to connect them to the customers of the more than 10,000 small and mid-size banks across the country.ⁱⁱ

A private sector organization, The Clearing House, first built an RTP platform in 2017 and many major banks use it. The Clearing House is owned by 24 of the world's largest commercial banks, including Bank of America, Capital One, Citibank, and Wells Fargo.ⁱⁱⁱ

The Issue

Why is FedNow entering the market?

Most small and mid-size banks and credit unions have not yet adopted RTP use. Reasons include cost and hesitancy to procure infrastructure services from a major competitor.^{iv} For this reason, these small and mid-size institutions face a perceived barrier to entry in offering real-time payments to their customers.

But there's good news. After much research, The Federal Reserve is building a public sector offering, called FedNow – **a new system bringing real-time payment services, 24x7, 365 days a year to banks and credit unions of all sizes.** This service will be an additional option in the real-time payments marketplace.

With FedNow, people all over the country can get secure, instant access to wages or refunds, make time-sensitive payments, avoid overdraft and late fees, and better manage their money. **The issue that FedNow is addressing is creating equity in access to instant payments for all Americans.**

The Client

What is FedNow?



Established in 1913, the Federal Reserve System (“the Fed”) is the U.S. central bank and has always provided payment and settlement services. Vital to our nation’s economy, and a core function of the Fed, is to foster a safe, efficient, and accessible system for U.S. dollar transactions.^v

FedNow is a new service in development by the Federal Reserve System that will offer safe and instant payment transfers 24 hours a day, 7 days a week, 365 days a year. This is the first major modernization to our payments system since the 1970s.

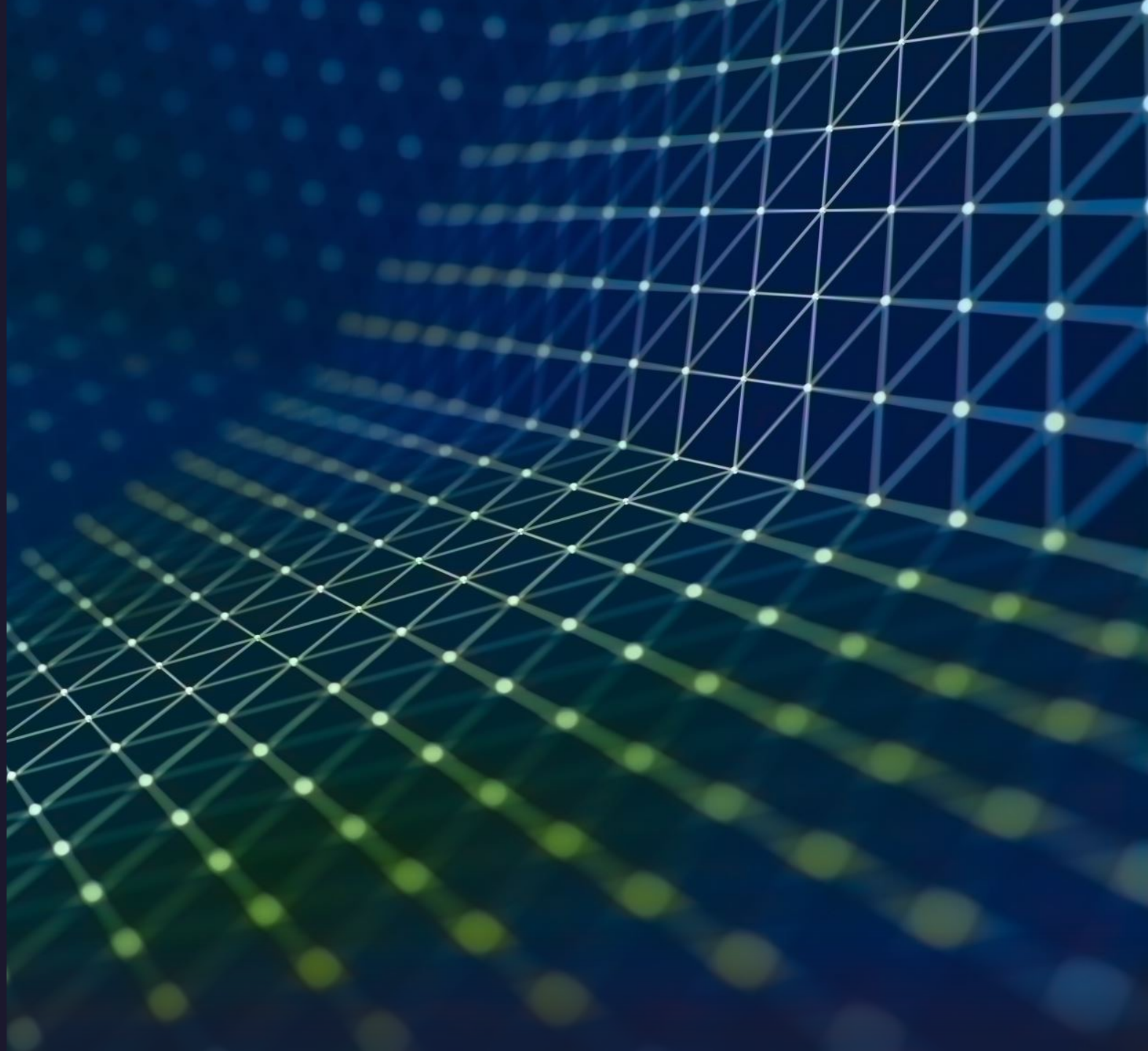
Stakeholders

Who are the groups or audiences that care about and share a vested interest in FedNow?

While there are additional stakeholder groups for FedNow, these are the key stakeholder groups for which this campaign focuses.

- 1 Financial institutions.** Banks and credit unions are key *payment stakeholders* that want to retain and attract customers with innovative payment options. Some will pilot the service. Larger institutions with a stake in The Clearing House may hold mixed perceptions based on the opportunities and challenges described in those sections.
- 2 The general public.** Consumers want to send and receive money instantly, better manage their funds, and rely less on payday lending.
- 3 The business community.** Merchants are key *payment stakeholders* that want to easily manage cash flow and enjoy increased liquidity.
- 4 The media.** FedNow is the most transformational modernization effort to the nation's payment system in 40 years.

Public Affairs & FedNow



Client Goal

How do these goals align with intended outcomes in public affairs?



The Federal Reserve will develop and operate FedNow as an efficient and accessible real-time payment system, meant to foster greater economic security for all Americans. To be successful, the Fed must successfully launch FedNow while upholding its reputation as one of the most trusted institutions in the world.

FedNow's goal is to successfully launch and grow adoption of their new system for real-time U.S. dollar transactions.

Successful adoption of FedNow aligns with intended outcomes in public affairs by protecting and strengthening the Fed's:

- Societal license to operate
- Reputation

Opportunities

What factors create an opportunity for FedNow's societal "license to operate" and have a direct reputational impact on the Fed?

Societal Benefits. In our increasingly instant world, we're more and more dependent on ecommerce. With FedNow, ecommerce will become even more efficient. Customers of banks who adopt FedNow for real-time payments will have better insight and control of their funds and avoid incurring late fees or use of payday lenders. Businesses (especially small businesses) can improve their cash flow management and the efficiency and costs of traditional payments methods like paper checks.

Economic Security. Cyber attacks are a growing threat. Adding FedNow to operate alongside the private sector RTP service will increase security for the U.S. economy by having more than one instant payment service infrastructure, should the current service become disabled.

Recent Crisis. With a broader, safer RTP system, stimulus payments – such as those issued to help people through the pandemic – could be received instantly by more Americans.

Challenges

What factors pose a threat to FedNow's societal "license to operate" and have a direct reputational impact on the Fed?

Negative Perceptions. With FedNow, the Fed has been criticized as slow to act. The Fed announced it would develop the FedNow platform in 2019 and was taunted for a slow launch timeframe, estimated between 2023-2024*. As it stands, the U.S. lags other developed nations that already use broad real-time payment systems to instantly transfer funds.^{vi}

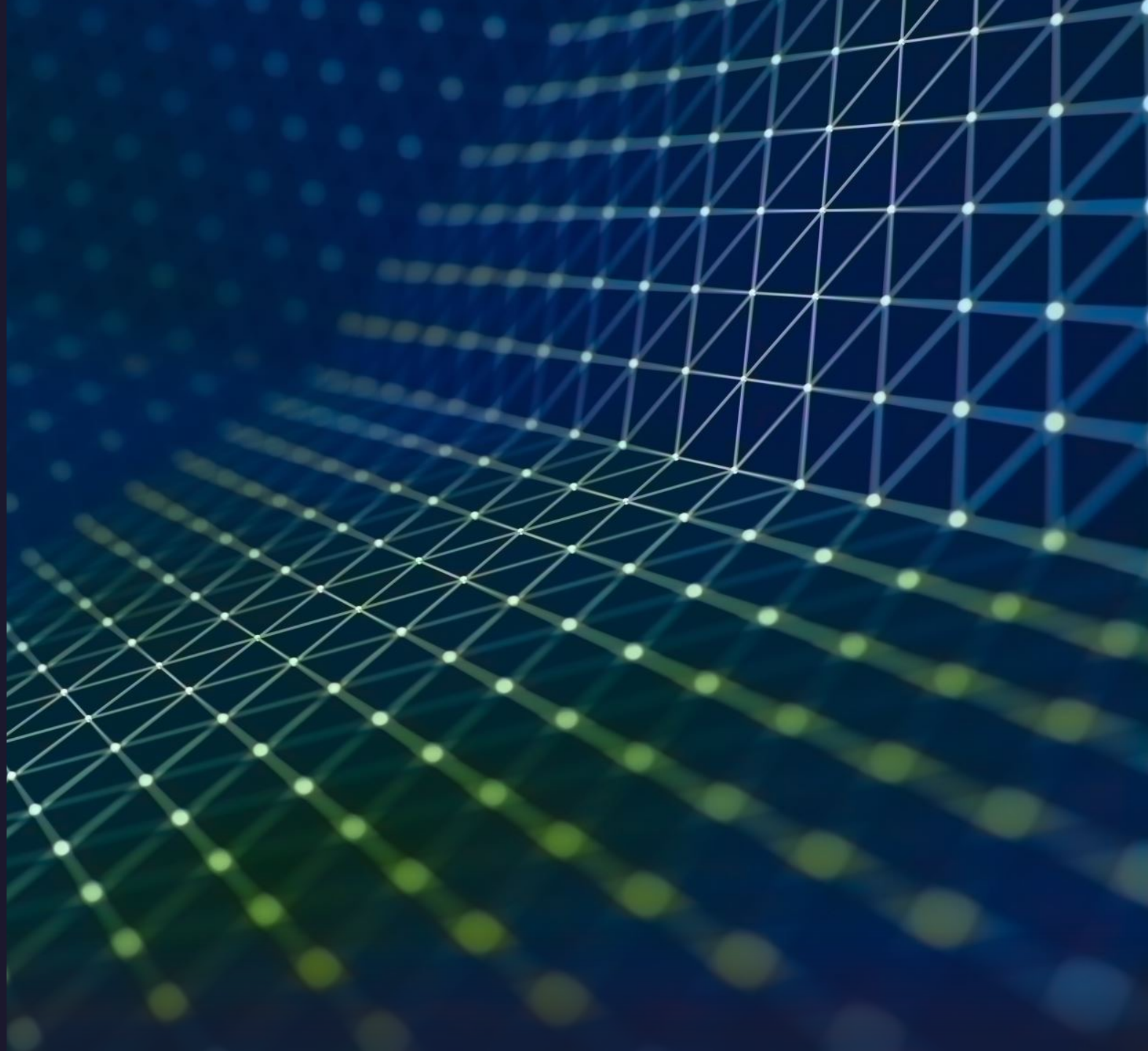
Some industry stakeholders are worried that FedNow will slow adoption of the existing service (and therefore, real-time payment benefits for individuals). This extends to a perceived inappropriate expansion of the Fed's role in the private sector.^{vii}

Misinformation. Extreme critics circulate inaccuracies about FedNow, suggesting that it's a platform to create endless free money and "create trillions of dollars out of thin air and distribute the trillions directly into households accounts at the Fed."^{viii}

Cooperation & Partnerships. The success of FedNow may depend on interoperability with the existing private sector solution. Presenting a united front offers the best outcome for all stakeholders.

*FedNow has confirmed the service will be live in 2023.

Strategies & Tactics



Strategies

An effective public affairs campaign achieves the desired outcomes.

So, what are we aiming to do?

FedNow's goal is to successfully launch and grow adoption of their new system for real-time U.S. dollar transactions.

Here are the strategies proposed to achieve it.

- 1 Educate the Public.** Raise public awareness and understanding about FedNow.
- 2 Build Public Trust.** Building on awareness and understanding, foster trust about FedNow through engagement, excitement and the broad support of the public.
- 3 Sustain A High Level of Payment Stakeholder Engagement.** Maintain engagement with key payments stakeholders to develop, launch and operate a real-time payments service that is fast, secure, equitable, and efficient.

Tactics

An effective public affairs campaign achieves the desired outcomes.

And how are we going to do it?

Social Media. Short stories will be broadcast via social media to educate the public and build public trust through *understanding, engagement, excitement* and *broad support* of public and payment stakeholders (depository institutions, merchants, trade associations, etc.).

- We'll tap into stories that speak to specific stakeholder groups (i.e., pilot program successes for financial institutions and the business community; average citizen who would gain from instant payments during the crisis, etc.)
- The goal is social proliferation or sharing across the audience's own social networks, as well as sharing positive information about FedNow in real-life circles and rebutting negative narratives.

Media Interviews. Pitch compelling narratives as told by FedNow delegates, partners and pilot program testers that educate the public and build public trust.

- The goal is to highlight successes with private sector partnerships through narratives, address misinformation, and reiterate how FedNow appropriately falls within the Fed's core functions.

Tactics

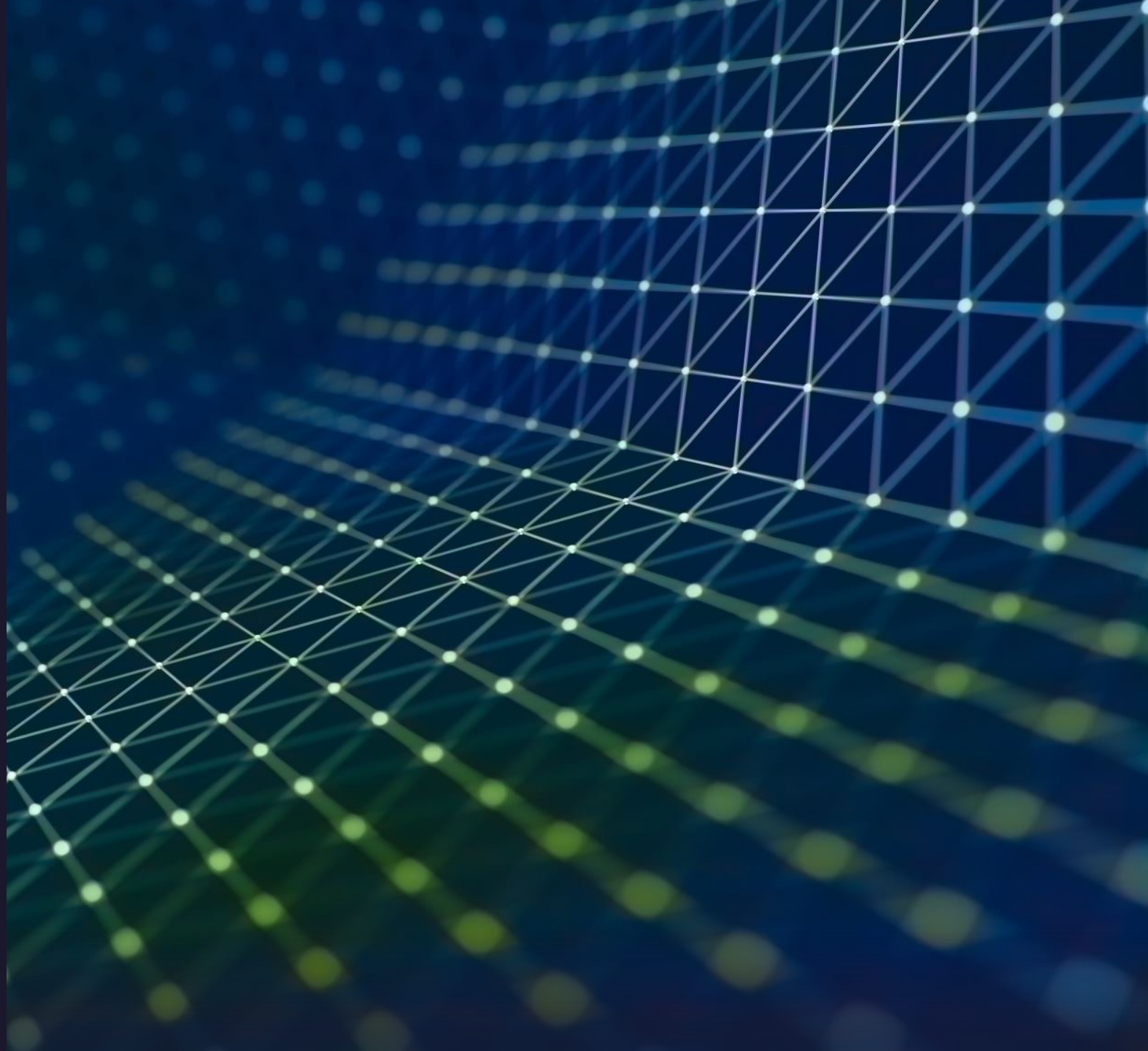
An effective public affairs campaign achieves the expected outcomes.

And how are we going to do it?

Stakeholder Outreach Through the FedNow Community. The deeper the cognitive engagement, the more likely a message is to change attitudes. Through the FedNow community, we'll initiate opportunities to directly engage with key payment stakeholder groups and sustain a high level of engagement.

- Engage the business community, financial institutions and private sector partners in a series of **town hall style workshops** to share progress, hurdles, concerns and ideas.
- Partner with the U.S. Faster Payments Council to hold **digital payments, innovation, and cybersecurity conferences** that aim to foster engagement, collaboration, and deeper partnership with payment stakeholders.

Summary



Summary

This proposal recommends targeting the general public and the media with strategies to educate and build trust, and targets financial institutions and the business community with the strategy to sustain a high level of payment stakeholder engagement. The strategies support FedNow's goal to successfully launch the service and grow adoption while aligning with intended outcomes in public affairs of protecting and strengthening the Fed's societal license to operate and upholding its reputation.

The tactics presented bring awareness to key opportunities including societal benefits, economic security, and the advancement opportunities for times of crisis. They also help address challenges to FedNow by helping to dispel negative perceptions and misinformation while strengthening stakeholder cooperation and key partnerships.

By implementing this public affairs campaign, FedNow can successfully address the issue of increasing equity in access to real-time payments for all Americans.

Reference

- ⁱ The Clearing House. (n.d.). *RTP® Network Participating Financial Institutions*. <https://www.theclearinghouse.org/payment-systems/rtp/RTP%20Participating%20Financial%20Institutions>
- ⁱⁱ Mester, L. (2020, February 14). *Modernizing Our Payments System*. The Federal Reserve Bank of Cleveland. <https://www.clevelandfed.org/en/newsroom-and-events/speeches/sp-20200214-modernizing-our-payments-system.aspx>
- ⁱⁱⁱ The Clearing House. (n.d.). *Owner Banks*. <https://www.theclearinghouse.org/about/owner-banks>
- ^{iv} Crosman, P. (2019, October 29). 15 community banks join The Clearing House's real-time payments network. *American Banker*. <https://www.americanbanker.com/news/15-community-banks-join-the-clearing-houses-real-time-payments-network>
- ^v Board of Governors of the Federal Reserve System. (n.d.). *Purposes and Functions*. <https://www.federalreserve.gov/aboutthefed/pf.htm>
- ^{vi} Masheyekhi, R. (2020, August 9). *How the government's new real-time payments system could transform commerce*. Fortune. <https://fortune.com/2020/08/09/fednow-real-time-digital-payments-the-fed/>
- ^{vii} Ibid.
- ^{viii} Kraut, C. (2020, October 24). *The Fed's shocking new power grab*. Charles W. Kraut. <https://cw2020.com/fednow.html>