

Developing Your Instant Payments **Send Strategy**

What to Know and Where to Start

By **Debbie Smart**, Q2 Product Marketer

When The Clearing House launched Real Time Payments (RTP®) in 2017, it was the first new payment rail in the United States in over 40 years. Unlike the now ubiquitous ACH, RTP enabled instant payment transactions, offering businesses and consumers faster access to funds. In 2023, the Federal Reserve followed suit, launching its own instant payments network, the FedNow® Service.

Today, both of these instant payments networks are growing rapidly, and experts expect 2025 to be the “hockey stick year” for instant payments adoption. In fact, statista.com forecasted 289% growth in transaction value between 2023 and 2030.¹

As of November 2024, more than 750 financial institutions (FIs) are connected to RTP, accounting for around 70% of U.S. bank accounts and averaging close to 1 million payments daily. FedNow had onboarded more than 1,000 institutions.

“Since we launched, we’ve seen steady momentum, and based on the pipeline and all the work that we’re doing with our various service providers that are currently certified with the network, we expect that pace to continue,” said Dan Gonzalez, VP, Customer Relations, Federal Reserve Financial Services.

The adoption of the FedNow Service has also driven adoption for RTP, said Keith Gray, VP, Strategic Partnerships, The Clearing House. The number of payments processed via RTP increases by about 15% per quarter. “I think it’s a perfect case of a rising tide floats all boats, and that’s why you’re seeing the success of FedNow and the continued success of RTP. It’s not one robbing from the other, but both are driving forward to offer value to the consumers and businesses using the networks.”

While both networks are gaining traction, many FIs currently participate in receive-only mode, meaning they can accept instant payments but have yet to enable sending capabilities. In an August 2024 webinar², we polled FIs to get a snapshot of how many of them are sending or planning to begin sending soon. Of the 114 participants who responded to the poll, only 6% were currently sending instant payments; 38% had plans to begin sending by the end of 2025, and 56% had no definite plan to send.

To unlock the full potential of this new rail requires a critical mass of FIs to get on board with sending as well as receiving.

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The Growing Value Proposition of Instant Payments—Commercial and Consumer

Instant payments provide a host of benefits for businesses, particularly in the business-to-business (B2B) space, where timely payments are crucial. One of the key advantages is the ability to execute precision payments—a term that refers to the ability to perfectly time payments based on business needs. Whether it's an emergency payment on a weekend or catching up on a bill late at night, instant payments provide the flexibility that other payment rails cannot match. This dynamic also benefits FIs, which can charge fees for these services.

"The busiest time on the RTP network is close of business Friday when all the banks are closed. So a lot of these payments are moving across the network, not because people want to move the money or care that much about the immediacy, but because they care about the timing and the fact that they can do it while they're thinking about it. And it's always there, always available. They know they have access when they need it, and that's a huge benefit of both FedNow and RTP," Gray said.

Another important aspect of instant payments is the rich message set it enables. Coupling the payment information with the payment itself brings new efficiency to accounting departments big and small.

Gray said businesses see the value and are ready to adopt. Since The Clearing House introduced RTP, it has engaged businesses of all sizes in a Corporate Advisory Group to gather feedback and improve the network. The group, representing diverse industries, has evolved from asking, "What is this?" to "How do we get it?"

The demand for instant payments is especially strong among small and medium-sized businesses (SMBs), which appreciate that instant payments enable them to manage their cash flow better by accessing revenue in real time, paying bills on their terms, and even issuing refunds or payroll more efficiently.

Use cases for the consumer space continue to expand, as well, especially for business-to-consumer (B2C) or government-to-consumer (G2C) purposes. For example, insurance companies can use instant payments to expedite claims payouts, providing policy holders with fast access to funds when they need them most. The U.S. Treasury, along with various other federal agencies, can send payments to consumers through the FedNow Service, enabling people to get much-needed funds faster.

Instant payments are also helping to revolutionize bill payment. In the B2C space, billers can send a Request for Payment—or a bill—to a consumer, and the consumer can pay it immediately or schedule it for exactly when they want the money to leave their account, enabling real-time bill payments and taking the customer experience to the next level.

One highly beneficial application of instant payments is account-to-account (A2A) transfers. Today, moving money between accounts at different institutions typically relies on ACH, which can take two to three days. By offering instant A2A transfers, financial institutions can provide account holders with faster, more efficient ways to manage their money.

"We've done surveys of financial institutions and consumers, and we know that about 40% of consumers have accounts at multiple financial institutions," Gonzalez said. "My daughter just went back to college, and I had to move money out of one of my accounts to another financial institution so I could make the payment. We've got a great ACH system, but it took three days for that money to actually arrive in my other financial institution. So instant payments really help consumers and businesses have better control over their finances and have better visibility into those payments that are being made."



We always thought account-to-account was going to be a big deal and that person-to-person was going to be a big volume driver on the RTP network, but some we didn't envision five or six years ago were things like emergency payroll, same-day payroll, and earned wage access, which are now big drivers on the network.

– Keith Gray

Vice President of Strategic Partnerships,
The Clearing House



Driving Ubiquity Through Sending Capabilities

For many financial institutions, the primary barrier to sending instant payments has been technology. Especially for smaller banks and credit unions, the vendors and technology providers they rely on have been slow to develop sending capabilities. Initially, many tech providers prioritized receive-only functionality, with the goal of adding send capabilities later.

However, some major technology vendors who process payments are now offering send capabilities to FIs, which will open a pathway to wider adoption.

RTP and the FedNow Service operate the same: Most FIs leverage the networks through a service provider or multiple service providers, and that typically requires an integration to the core. That integration can be provided by a third party or the core provider, and the integration provider can be different for receiving and sending. This provides FIs with a lot of flexibility when it comes to connecting to the networks.

Bradley Wilkes is CEO and co-founder of Open Payment Network, one of the companies that enables FIs to connect to RTP and the FedNow Service. He said the flexible design of the ecosystem gives FIs the ability to structure their connectivity to the networks in a way that meets the specific needs of the FI and its customers or members.

"I applaud the Fed and The Clearing House for the design of the networks, recognizing there's a need for multiple service providers and for the flexibility for financial institutions to be able to select their service providers and get the services that they need. It really creates a competitive environment for service providers to make sure that financial institutions have plenty of options to choose from," he said.

Key Considerations

Some things to consider when offering instant payments—whether for the first time or when adding send capability:

Technology Stack

Before implementing instant payments, FIs must evaluate their technology stack to ensure their technology providers offer solutions that are compatible with RTP and the FedNow Service. API capabilities are particularly important for enabling seamless integration with instant payments networks.

Use Cases

By identifying key use cases, FIs can tailor their instant payments offerings to meet customer demand. The US Faster Payments Council published a recent study that digs deeper into the various use cases and how adoption is expected to go over the next five years.³

Change Management and ROI

Adopting instant payments requires cultural and operational changes. For many smaller institutions, the heavy lifting will be done by their service providers. However, FIs must still invest in marketing and educating customers and members about the benefits of instant payments.

Answers to Big Questions

Will instant payments open my financial institution up to more fraud, and how do I mitigate that risk?

One of the primary concerns surrounding instant payments is fraud. However, both RTP and the FedNow Service operate as push payment systems, where the payer initiates the transaction. This model reduces certain fraud risks compared to traditional pull-based systems. FIs can mitigate fraud through additional safeguards, such as introducing friction points before a payment is completed.



The interesting thing about the design of these networks is they were designed from the ground up to start addressing fraud issues that existed in previous generations of networks.

– Bradley Wilkes
CEO and Co-Founder,
Open Payment Network



Will instant payments impact my financial institution's ACH or wire revenue?

Some financial institutions worry that instant payments will steal from their ACH or wire transfer revenue. However, the opposite has proven true. Since the introduction of RTP, ACH and wire volumes have continued to grow as each payment rail serves distinct use cases. Instant payments have opened new opportunities and introduced creative use cases that did not exist before.



It's not necessarily the loss of those payments. It's going to be the loss of customers. Consumers and businesses will want this better experience, and if your financial institution doesn't offer it, you could lose them to a competitor.

– **Dan Gonzalez**

Vice President, Customer Relations
Federal Reserve Financial Services



What are the cost implications of adopting instant payments, and how can we manage them effectively?

Vendor selection is an essential component of cost management. Financial institutions should use a competitive vendor selection process by starting with clearly defined requirements and conducting a market analysis to identify which vendors have a proven track record and a robust instant payments technology offering and are recognized in the industry for instant payments.

- Develop a request for proposal and seek competitive bids from the best candidates
- Establish an objective evaluation framework based on predefined criteria such as cost, technology, security, compliance, scalability, and support services
- Conduct vendor due diligence
- Consider pilot testing

What challenges should we anticipate when transitioning to instant payments, and how can we mitigate them?

- **Core connectivity:** Many financial institutions operate on older core systems that may need to be compatible with instant payment schemes. Consider investing in technology upgrades and required integration layers
- **New required capabilities:** Instant payments require new processing capabilities, such as using messaging standards (ISO 20022), digital identity, authentication, and validating good funds before sending the transaction; fraud mitigation capabilities like value and velocity limits; reconciliation tools; and settlement account monitoring, such as liquidity management–funding and defunding
- **Operational changes:** Instant payments require around-the-clock availability, demanding changes in operational models, including staffing, support, system availability, and maintenance
- **Network choice:** Participate in both the FedNow Service and RTP to provide customers or members with the best possible instant payment reach. Be sure your technology providers have APIs that interface with both the FedNow Service and RTP, and you may need to upgrade current payment processing systems to handle multiple connection points and message formats
- **Identifying send use cases:** Understanding customer or member use cases is critical for the adoption of instant payments. It helps to tailor product offerings, develop targeted marketing strategies, and align technology and operational readiness to account holder demand

The Future of Payments Is Here

Instant payments represent the future of transactions, offering unmatched speed, efficiency, and convenience. While many FIs have embraced the ability to receive instant payments, the true potential of the ecosystem will only be realized when more institutions adopt sending capabilities.

As more businesses and consumers demand faster, more flexible payment options, FIs must act swiftly to stay competitive. Those that invest in sending instant payments now will not only meet the immediate needs of their account holders but position themselves as leaders in the future of digital payments.

Visit the [FedNow Service](#) and [RTP](#) websites for more in-depth information about instant payments, and contact your Q2 customer success manager to learn how Q2 can help.

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¹ "Transaction value of real-time payments worldwide in 2024, with a 2028 forecast," June 25, 2024, Statista <https://www.statista.com/statistics/1387179/instant-payments-global-market-size>

² "Developing Your Instant Payments Send Strategy," August 14, 2024 <http://bit.ly/4dGlaLa>

³ "2024 U.S. Instant Payments Adoption Quantitative Study, US Faster Payments Council," Fall 2024 <https://fasterpaymentscouncil.org/blog/14002/2024-U-S-Instant-Payments-Adoption-Quantitative-Study>

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