



Written by [Luis Miguel](#) on July 21, 2023

Federal Reserve Officially Launches New Instant Pay Service

The Federal Reserve on Thursday launched its own instant payment service, FedNow, touted as a way of allowing Americans to do things such as receive their paychecks and cash checks much more quickly, in a matter of minutes, as opposed to waiting one or two business days.

“It is a brand new, shall we call it a superinformation high-speed highway for payments, that the Fed has launched in an effort to modernize its payment systems opportunities for all of us,” Scott Latham, president and CEO of the Alabama Bankers Association, told [WSFA 12 News](#).



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FedNow was first announced back in 2019. Many banks and credit unions have already signed up to use it.

One Federal Reserve [website](#) explains what differentiates its new service from popular money transfer services:

Unlike services like Paypal, Venmo or Square Cash, which are nonbank “closed loop” systems, the FedNow Service will provide an interbank faster payment system. Interbank systems typically enable payers to pay much wider groups of payees, even those who have an account with a different financial institution. In these systems, payments are routed and settled among the various participating financial institutions through a common network. In addition, because it will clear and settle payments simultaneously, transaction by transaction, in near real time, the FedNow Service, like the Clearing House’s RTP® network, will be an interbank instant payments system.

... The launch of the FedNow Service is consistent with the Federal Reserve’s role of providing core infrastructure for payment and settlement services to depository institutions. In this role, the Federal Reserve has promoted an accessible, safe and efficient payment system in the United States for more than a century.

Per the Fed, FedNow provides banks with a foundation to develop and enhance services such as bill pay, immediate payroll, e-invoice, claims payments, and funding a brokerage account.

Banks that have teamed up with FedNow are expected to make it available on their websites and apps, allowing customers to send money in real time. The Federal Reserve has stated that FedNow provides Americans with the same kind of service already available in countries such as England, China, Sweden, and India.

Mainstream media outlets such as the [Associated Press](#) say FedNow will be useful to Americans in



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situations such as paying last-minute bills late at night without having to wait for the payment to clear the next business day. The Federal Reserve, moreover, ensures privacy, stating that it will not be able to access people's bank accounts, nor does it have the authority for additional surveillance.

"FedNow is an instant payments service that the Federal Reserve will offer to banks and credit unions to transfer funds for their customers," the Fed said in an [emailed statement](#) to AP. "The Fed and FedNow cannot access individuals' bank accounts or control how they choose to spend their money."

Yet not everyone's concerns are assuaged by the Fed's assurances. John Berlau, writing at the [Competitive Enterprise Institute](#), a libertarian think tank, wrote that while FedNow is not a central bank digital currency (CBDC) as some have said, it does come with some dangers — such as the potential for allowing the Fed to see the details of consumer transactions.

As Berlau writes:

This means the Fed, a government entity, would have access to this data without a warrant and be able to [share] it with law enforcement agencies. The data would also likely be vulnerable to hacking, as the government's record on data breaches is certainly no better than that of the private sector.

Quoting Drew Johnson of Protect Internet Freedom and senior fellow at the Taxpayers Protection Alliance, Berlau explains that FedNow could give the government insight into details as intimate as how much a person is spending on goods, where and what they are purchasing, and where they are traveling on a rideshare app.

Central bank digital currencies and other forms of financial surveillance and control pose one of the greatest threats to freedom in America.

China has been using its own CBDC, the digital yuan, since April 2021 to give the government control over the people's financial activities.

There, the government ranks its subjects using a social credit score, which labels a person as a good or bad citizen. Chinese earn high scores for things such as paying off debt, praising government initiatives on social media, and observing speed limits. High scores translate into perks for public services.

On the other hand, criticizing the government, purchasing alcohol or cigarettes, or even jaywalking lowers citizens' scores.

The dangers associated with CBDCs have led to a growing push, particularly among Republicans, to prohibit it.

Gov. Ron DeSantis of Florida has vowed to ban CBDCs in America if elected president. He recently moved to prohibit it in Florida and protect Floridians from "globalist efforts to adopt a worldwide digital currency" by signing a bill, [SB 7054](#), which outlaws "the use of a federally adopted central bank digital currency (CBDC) by excluding it from the definition of money within Florida's Uniform Commercial Code."



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