

**NICE**  
**Actimize**

eBook

# FedNow: Opportunities and Challenges for Enterprise Fraud



Impact of FedNow Service

FedNow Provides Equal Playing Ground for FIs Regardless of Size

Strategic FedNow Advantages and Expanding RTP Use Cases

Faster Payments = Faster Fraud

Protecting RTP from Fraud

Commit to RTP Capabilities with Purpose-Built Fraud Prevention

Fraud Prevention Needs to Run, Not Crawl



# Introduction

Adoption of real-time payments (RTP) disrupted the finance industry: Customers crave more convenient payment options and instant access to funds, so high demand offers financial institutions (FIs) leveraging RTP some exciting new growth opportunities. However, with FedNow Service launched, FIs must prepare for new challenges—and complex fraud.



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## Impact of FedNow Service

The global movement toward faster and instant payments will continue to dominate payment rails with the Federal Reserve's new FedNow Service in the U.S.

The FedNow Service supports a wide range of instant payments use cases that enables banks of every size to offer RTP services to customers. The system is designed to provide a fast, efficient way for individuals and businesses to send and receive payments in real time, anytime.

FIs delivering innovative instant payment solutions have an opportunity to compete in a burgeoning RTP market to drive more revenue and gain market share.

But success as an RTP innovator hinges on two things: 1) mitigating potential challenges surrounding operationalizing and 2) safeguarding instant payments from sophisticated, varied fraud threats

With FedNow Service, FIs must act fast to secure a strong position in the rapidly advancing RTP market.

**Upwards of 90% of respondents in the Federal Reserve's business and consumer studies indicate a desire for faster payments capabilities.<sup>1</sup>**

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Real-time transaction volume in the U.S. is predicted to reach

**8.9 billion by 2026, up from 1.8 billion in 2022.<sup>3</sup>**

## FedNow Levels the Playing Field

Over fifty FIs have already embraced FedNow as early adopters and participants. But adoption will likely be near, if not completely, ubiquitous within the coming years.<sup>2</sup>

This federally backed offering affords a more equal playing ground for FIs regardless of size.

**But to fully embrace RTP and extend convenient, secure payment options to customers, FIs must address challenges that can potentially impede FedNow Service readiness and stall adoption:**

- **Seamless interoperability** between FIs, payment networks, and technology platforms is complex and often involves API development and implementation to mitigate disruption.
- **Implementation of a new payment system requires a significant investment** in technology, infrastructure, and skill sets.
- **Legacy systems may be incompatible** with the new FedNow system, and integration could be complex and time-consuming.
- **Consumer adoption may take time** despite the anticipated popularity of the service. Investment in education and outreach may be necessary to help customers understand the benefits and how to use it.
- **Additional compliance and security measures** may be required to ensure the safety of customers' transactions, which could increase the costs of offering the service.
- **RTP capabilities require systems to be monitored and available 24/7**, which outdated systems often cannot accommodate.

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## Strategic FedNow Advantages and Expanding RTP Use Cases

Despite the potential challenges of offering FedNow Service, it's expected to be transformational for the U.S. financial ecosystem.

Businesses, consumers, and government entities can benefit from the convenience of sending and receiving funds in real time. From diverse settlement options and instant access to payments to liquidity services and easier money management, the value-add potential associated with FedNow is highly anticipated.

FedNow is also the only RTP system that is developed and supported by the government, which is likely to drive adoption. Additionally, the system features a "receive-only" option for participation that aims to streamline the transition and accommodate more incremental implementation of RTP capabilities.



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# Strategic FedNow Advantages and Expanding RTP Use Cases

RTP use cases are also expanding across person-to-business (P2B), account-to-account, business-to-business (B2B), government-to-consumer (G2C), and person-to-person (P2P) transactions:<sup>4</sup>



Whether or not FIs can benefit from emerging use cases will depend on infrastructure modernization to support FedNow Service, and the ability to successfully monetize RTP offerings.

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APP fraud losses will comprise **0.0025%** of the total value of real-time transactions by 2026.<sup>7</sup>

## Faster Payments = Faster Fraud

The FedNow Service is the first major payments infrastructure upgrade launched by the Federal Reserve since the 1970s.<sup>5</sup> However, faster payments mean faster fraud, and the irrevocability of real-time payments presents recoverability challenges.

**Authorized push payment (APP) fraud, account takeover (ATO), new account fraud (NAF), money mule activity, synthetic identity fraud (SIF), P2P fraud, compromised credentials, and a staggering variety of social engineering-driven scams are becoming increasingly synonymous with faster and instant payments.**

Additionally, established real-time P2P systems are under increasing scrutiny by both the public and government due to numerous cases of consumers being coerced into making irreversible payments.<sup>6</sup>

While FedNow is not a direct-to-consumer service, FIs who intend to offer the RTP service must ensure their risk management policies and fraud prevention measures can efficiently deter fraud within the minimal available window to process and manage real-time transactions.

These measures will be vital given the transforming U.S. regulatory landscape, which is shifting toward obligatory reimbursement for victims of fraud. Potential Regulation E reinterpretation might extend to transactions that are authorized via manipulation and distribute liability between both the sending and receiving banks.

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## Protecting RTP from Fraud

Protecting FedNow Service offerings from persistent, often unpredictable, fraud will be key to benefiting from the myriad business opportunities provided by RTP rails.

**With RTP rollout and adoption, FIs and Fraud Management teams need to consider the following:**

- Siloed or piecemeal approaches to fraud detection systems that are ineffective for RTP monitoring and detecting diverse fraud typologies throughout all channels and payment mechanisms.
- Transaction volumes will increase, making it difficult to detect fraudulent transactions in a timely manner, particularly if fraudsters blend in with legitimate transactions.
- Data silos that prevent FIs from detecting fraud attacks at early stages and intervene prior to money movement.
- Manual reviewing processes that result in inefficient investigations.
- Lack of experience or resources to develop effective countermeasures against new and emerging fraud attack vectors.
- Insufficient end-user understanding of fraud and scam typologies connected with the irrevocability and immediacy of RTP.
- Authenticating and verifying identities can be difficult, as the need to deliver a frictionless customer experience can conflict with stringent security measures.



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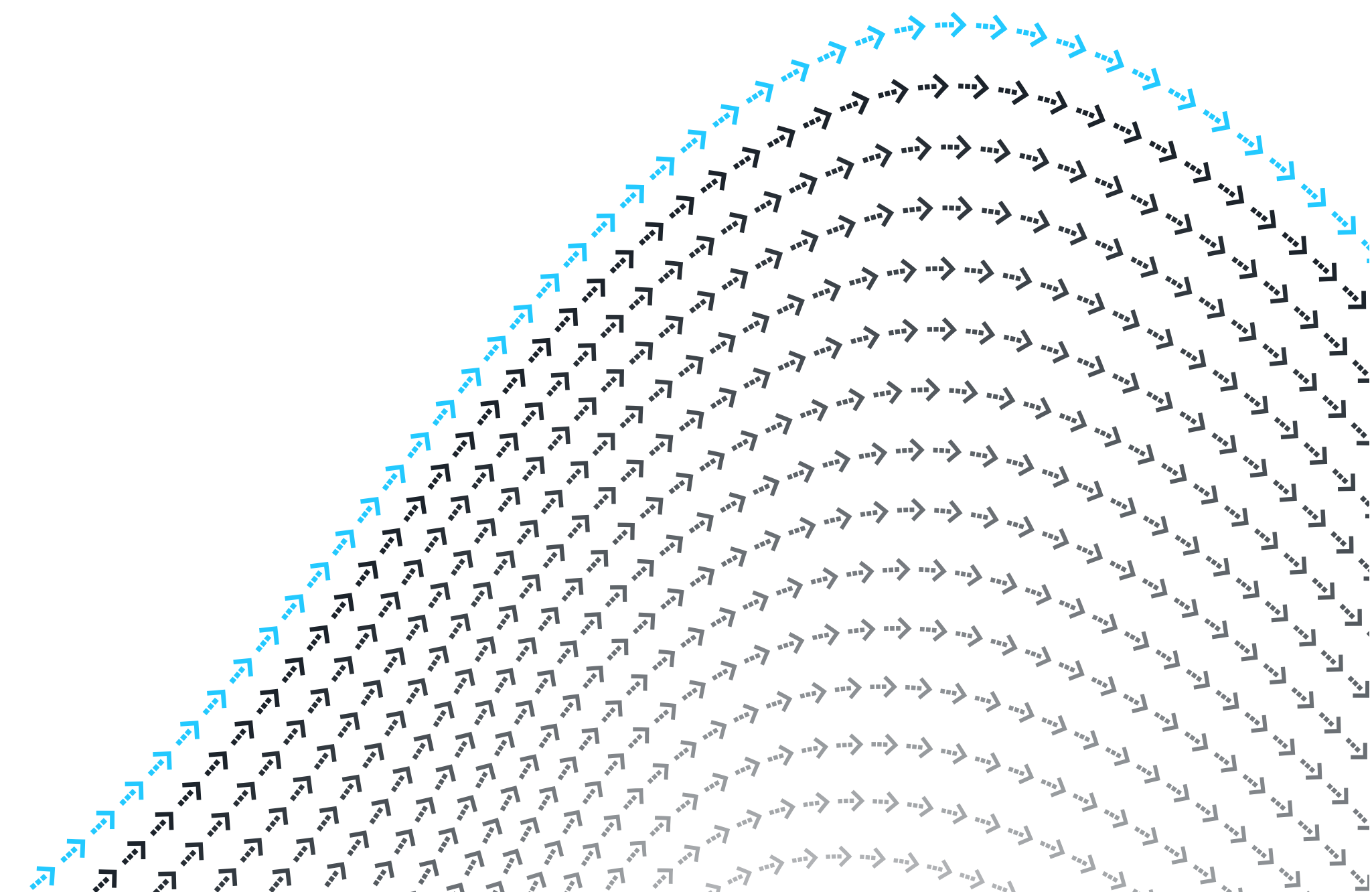
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## Commit to RTP Capabilities with Purpose-Built Fraud Prevention

Artificial intelligence (AI), machine learning (ML), behavioral analytics, and high-quality data must be embedded into the DNA of fraud strategies to enable a holistic approach to risk management and keep up with real-time payments.

**IFM-X**, NICE Actimize's award-winning, integrated enterprise fraud management platform, continuously evolves alongside the risk landscape.



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## Commit to RTP Capabilities with Purpose-Built Fraud Prevention

Featuring the industry's most advanced AI and ML, IFM-X provides agile, end-to-end, real-time coverage against new and emerging fraud threats:

- **Safeguard any payment type** and support real-time payments via an omnichannel approach to monitoring the entire payment life cycle.
- **Detect fraud earlier** to minimize customer impact and direct fraud losses through a connected data ecosystem that orchestrates and enriches data using sophisticated AI.
- **Mitigate mule risk, synthetic identities, and stolen identities** at the origination and early account phases.
- **Unify fraud and authentication management** to enable real-time risk decisioning, prevent ATO attacks, and deliver a stellar customer experience.
- **Enable smarter, faster, and accurate decisions** with entity-driven investigations and visual analytics.
- **Detect suspicious or unusual transaction behavior** and enable accurate identity evaluations.
- **Reduce false positives and accelerate investigation time** with AI-powered scoring and authentication.



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## Fraud Prevention Needs to Run, Not Crawl

The expanding RTP landscape represents a definitive transformation in how consumers and organizations interact. FIs must transition from traditional methods that increase fraud exposure and prioritize investments in advanced AI and ML capabilities to process and protect payments in a real-time threat environment.

**Real-time payments demand agile tools, practices and processes that enable greater defense against continually evolving scams and fraud. With the official FedNow Service in play, don't wait to optimize risk management programs.**

Ready to modernize your approach to fraud prevention? Contact us at [info@niceactimize.com](mailto:info@niceactimize.com)

➔ Learn more

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## About NICE Actimize

NICE Actimize is the largest and broadest provider of financial crime, risk and compliance solutions for regional and global financial institutions, as well as government regulators. Consistently ranked as number one in the space, NICE Actimize experts apply innovative technology to protect institutions and safeguard consumers and investors assets by identifying financial crime, preventing fraud and providing regulatory compliance. The company provides real-time, cross-channel fraud prevention, anti-money laundering detection, and trading surveillance solutions that address such concerns as payment fraud, cybercrime, sanctions monitoring, market abuse, customer due diligence and insider trading.

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