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FedNow: The Federal Reserve's Instant Payment Rail

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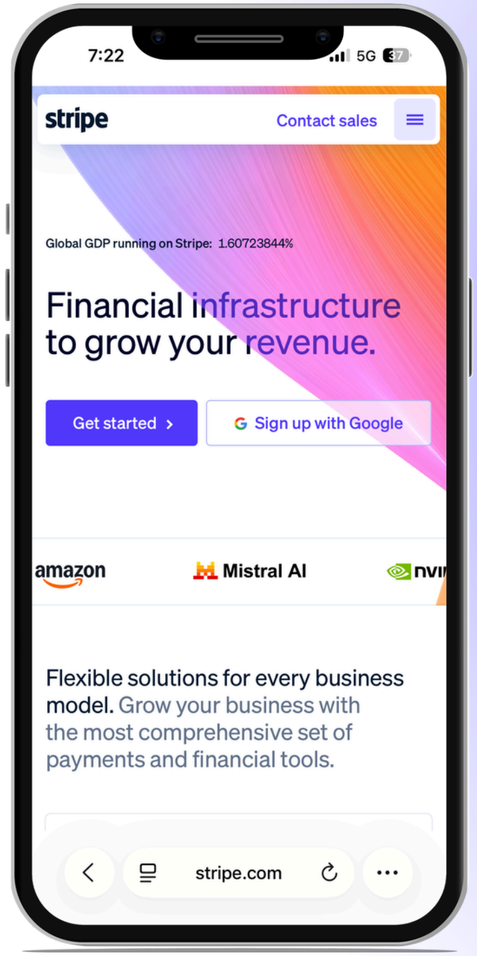
→ instant payment system operated by the Federal Reserve that allows U.S. banks to send money in real time, 24/7.

Service	Operated by	Settlement Speed	Role	Centralized
FedNow	**Federal Reserve**	**20 seconds**	**Real-time banking rail**	**Yes**
ACH	Fed + The clearing House	1-3 days	Traditional payment rail	Yes
Card Networks	Private networks	Instant authorization, delayed settlement	Intermediated network	Yes
Wallets (Paypal, Venmo)	Fintech companies	"Virtual" instant	User interface layer	Yes
Blockchain	Decentralized network	Variable	Alternative system	No

What is STRIPE?

Stripe provides the technical infrastructure that connects merchants to the financial system.

- Processes online card payments
- Connects merchants to Visa, Mastercard & bank rails (ACH, etc.)
- Provides fraud detection (Stripe Radar)
- Manages subscriptions & recurring billing
- Offers APIs for developers



Stripe in the Payment Flow



Consumer Merchant Card Network Bank

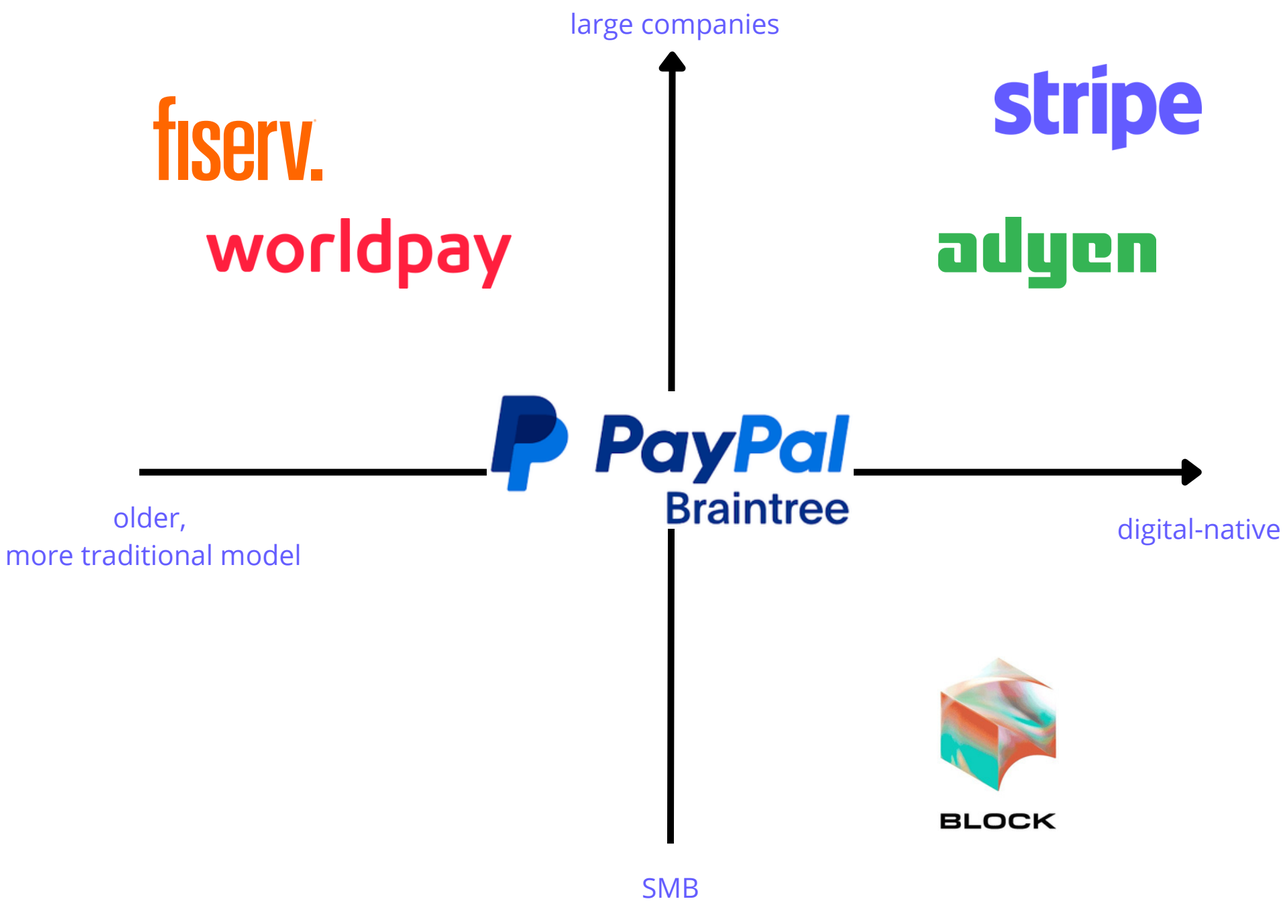
Why Stripe is a FinTech firm

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Concept	Applied to Stripe	Meets?
Technology-led financial service	Delivers payment capability primarily through software infrastructure (digital-first delivery, not branch-based).	✓
Reduction of transaction friction (PayTech)	Lowers adoption friction & cost for merchants by making payment acceptance easier to implement and operate than building in-house.	✓
Abstraction of financial infrastructure	Acts as an abstraction layer that standardizes complex payment workflows into reusable processes (auth outcomes, refunds, disputes).	✓
Trust layer / enabled financial intermediation	Takes over part of the trust burden (risk/security/compliance expectations) to make transactions safer and more reliable.	✓
Reintermediation vs. disintermediation	Does not remove banks/rails; it reintermediates by becoming a new software middle layer between merchants and the payment system.	✓

Benchmark & Common Points

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Common points:

- Process card payments
- Connect merchants to card networks and banks
- Charge transaction-based fees
- Provide fraud detection
- Handle settlement

Business Model Differences

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How Stripe’s Business Model Differs from Traditional Merchant Acquirers?

	STRIPE	LEGACY PLAYERS
Developer First Model	• API-native • Self-serve onboarding • Built for startups & digital platforms	• Sales-driven • Manual Integration • Relationship-based contracts
Product expansion Beyond Processing	• Subscriptions (Billing) • Treasury • Issuing • Capital • Payment Orchestration • Data tools	• Primarily acquiring + Point of Sale (POS)
Revenue Model	• Transaction fees • Additional SaaS layering • Financial services monetization	• Mostly transaction margin • Hardware fees • Long-term contracts

Stripe expands beyond payment processing into a **full-stack financial infrastructure platform.**
Traditional providers remain primarily focused on merchant acquiring and POS services.

How Stripe Can Take Advantage of FedNow

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1 Instant Merchant Payouts

Push true instant bank deposits 24/7 to gig workers, small businesses, creators & marketplaces; improving cash flow and competitive advantage.

2 Lower-Cost Payment Alternatives

Offer "Pay by Bank (Instant)" option to replace ~2-3% card fees with cheaper bank-to-bank transfers; reducing card network dependency.

3 Competing with Zelle & RTP

Embed FedNow rails into Stripe Checkout, Treasury & Connect; using public Federal Reserve-backed rail to expand to smaller banks

4 Embedded Finance Expansion

Enable instant supplier payments, refunds, insurance claims & loan disbursement; building new financial products on instant settlement

5 Risk & Settlement Advantages

Reduce float risk and chargeback complexity while improving real-time fraud monitoring with AI risk models layered on instant rails



Risk Analysis

FEDNOW'S IMPACT ON STRIPE

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FINANCIAL SOLVENCY RISK

The Shift in Fraud Liability (Regulation E) is critical because instant payments are irrevocable. If regulators force Stripe to reimburse "tricked" users, the company faces millions in unrecoverable losses that come straight out of their bottom line.

BRAND-ENDING REPUTATION RISK

The "Real-Time False Positive" Dilemma forces a choice between blocking honest merchants or allowing high-speed fraud. Both paths threaten Stripe's market share, driving its customers to competitors and destabilizing revenue.

DIRECT LEGAL EXPOSURE

The Elimination of the "Verification Buffer" removes Stripe's ability to intercept illicit funds. Without a safety window, any split-second failure to catch a criminal leads to immediate federal fines and irreversible money laundering.

LICENSING REVOCATION RISK

ISO 20022 Data Governance Obligations mean that failing to manage complex data influx is a major compliance violation. The danger is a systemic shutdown where regulators suspend Stripe's operating licenses or block their access to the network.

The Future is Layered

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OPTIMISED PAYMENTS

- ✓ Faster
- ✓ Always available
- ✓ In real time

LAYERED ECOSYSTEM

- ✓ FedNow - Speed + Final Sttlement
- ✓ Banks - Hold Deposits/ Move Dunds
- ✓ Stripe - Software Layer

RECOMMENDATIONS

- → Banks adopt real-time to stay competitive
- → Stripes uses FedNow to expand instant payouts & treasury tools
- → Businesses choose platforms that combine speed, security, compliance & scale

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THANK YOU FOR YOUR ATTENTION

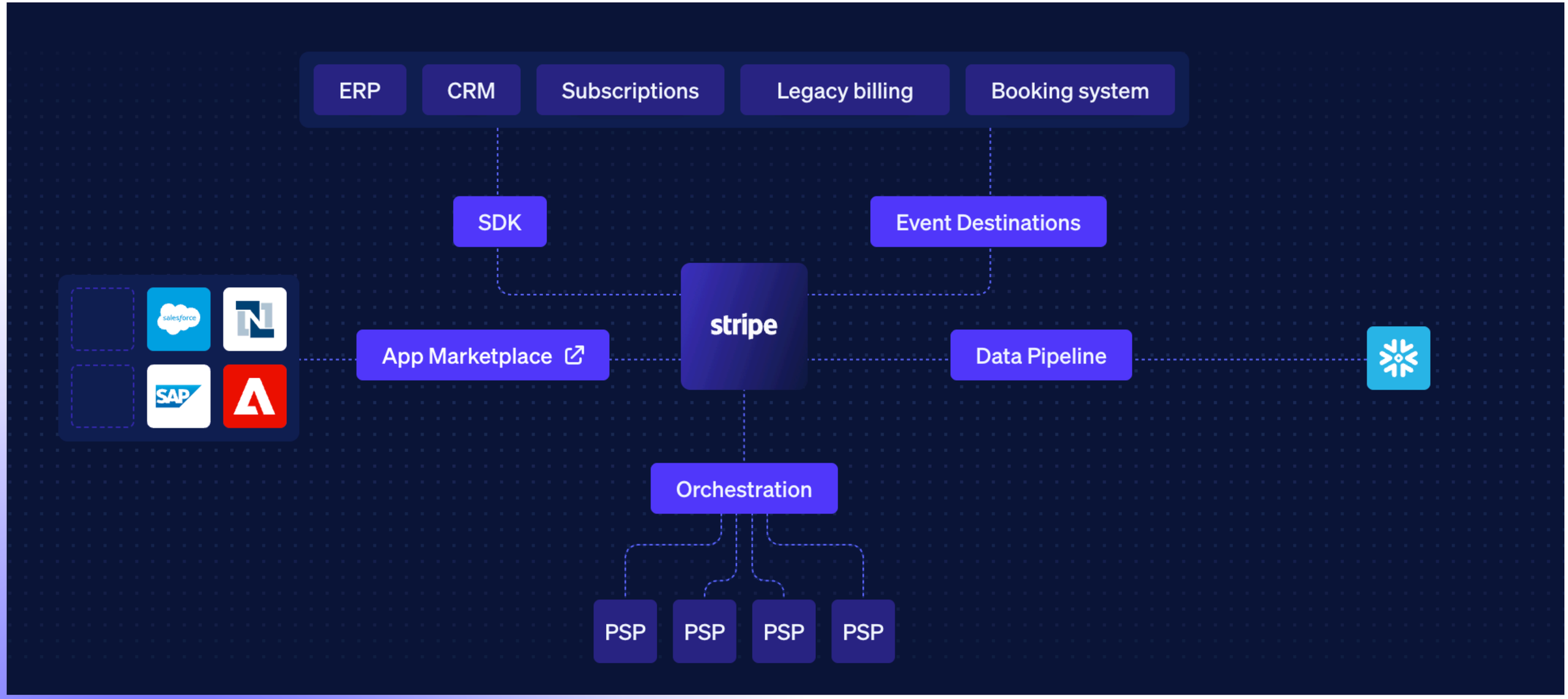
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APPENDIX

Connect to existing systems (stripe.com)



Business Model Differences cont.

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Business Model Schema

