

FX Settlement

The sheer size of the foreign exchange market creates a slew of credit, market, liquidity/funding replacement, operational and settlement risks. This is true even for internal settlements. Despite recent improvements in market infrastructure, the cost of managing these risks are still rising, and significant challenges remain to progress:

- Lack of heterogeneous ledgers
- Requirement for simultaneous movement of assets across ledgers. Communicating with central bank ledgers via wires or other means is often necessary
- Timing issues. Central bank settlement is limited to the hours a central bank is open, leading to issues for settling currencies in different time zones
- Need for settlement finality, and effective mitigation and control of settlement risk
 - even for non-CLS transactions
- Digital or Crypto currency conversions solving the fundamental problem

While settlement utilities such as CLS, CHIPS and CHAPS mitigate some of the risks, their use requires direct membership, pre-funding and other operational processes that lead to higher costs and limited flexibility. These tools also do not solve the intraday exposure and obligation issues. While pre-funding addresses these, it is inefficient from a funding and liquidity perspective.

THE BATON SOLUTION

Baton addresses the core inefficiencies without requiring participants to convert assets into digital currency or significantly change existing business processes, systems or ledgers.

Baton synchronizes the movement of two legs of any type of currency transaction, regardless of time or the number of settlement and custodian banks involved. This results in faster, more efficient payments, a reduction in Herstatt and overall risk, and instant reconciliation and reporting for all parties. It also reduces the time needed for this entire PvP process – from what can sometimes be days or hours to near real-time. By consolidating relevant information into a single dashboard, we eliminate the need to coordinate multiple systems, reports, spreadsheets and even institutions, leading to greater efficiency and improved workflow.

APIs integrate with the ledgers of the banks where the assets reside, and with the middle and back-office systems, while a customizable software workflow engine automates and synchronizes the existing business process within the institution. This can extend across multiple banks to synchronize the PvP flows using Baton's patent-pending technology. The resulting end-to-end automation of the PvP workflow provides full visibility of the currency flows between counterparties, settlement finality, complete audit trails, and real-time notifications.

Baton Ledger Reflects the Settlements Initiated from the Continuous Netting Process

Baton Payments accelerator | Party P demo@batonsystems.com | Entity Party A

Approvals 0 | Notification 0

Ledger | 16 Apr 2020 to 16 Apr 2020 | Completed | Currency | Amount Range | Apply Filter

Summary of Transactions for Party A from 16 Apr 2020 to 16 Apr 2020

COMPLETED : 12

Date(UTC)	Details	Asset	Value ^	Transaction Type	Type	Status	Primary Account Number	Secondary Account Number	Code	Custom Status	Event Time(UTC)	
16 Apr 2020 10:57:16	Transfer 814,809.00 GBP from Party A to BankZ	GBP	814,809.00	CLEARING	DEBIT	✓	PARTY-A-GBP-001	BankZ-GBP-001	DISTRIBUTED-PVP-FX	Exact matched	16 Apr 2020 10:49:56	
16 Apr 2020 10:58:09	Transfer 1,041,292.00 USD from BankZ to Party A	USD	1,041,292.00	SETTLEMENT	CREDIT	✓	BankZ-USD-001	PARTY-A-USD-001	DISTRIBUTED-PVP-FX		16 Apr 2020 10:49:56	
Timestamp		Description								Status		
2020-04-16 10:57:58		Receive MT900 [Message]									✓	
2020-04-16 10:57:50		Send MT202 [Message]									✓	
2020-04-16 10:57:22		Ownership Changed									✓	
16 Apr 2020 10:11:23	Transfer 4,333,333.34 GBP from Party A to BankZ	GBP	4,333,333.34	CLEARING	DEBIT	✓	PARTY-A-GBP-001	BankZ-GBP-001	DW-SPLIT-PVP-FX	Exact matched	16 Apr 2020 10:06:38	
16 Apr 2020 10:14:33	Transfer 4,333,333.34 GBP from Party A to BankZ	GBP	4,333,333.34	CLEARING	DEBIT	✓	PARTY-A-GBP-001	Baton-GBP-001	DW-SPLIT-PVP-FX	Exact matched	16 Apr 2020 10:06:38	
16 Apr 2020 10:17:26	Transfer 4,333,333.34 GBP from Party A to BankZ	GBP	4,333,333.34	CLEARING	DEBIT	✓	PARTY-A-GBP-001	BankZ-GBP-001	DW-SPLIT-PVP-FX	Manually matched	16 Apr 2020 10:06:38	
16 Apr 2020 10:12:03	Transfer 5,554,730.00 USD from BankZ to Party A	USD	5,554,730.00	SETTLEMENT	CREDIT	✓	BankZ-USD-001	PARTY-A-USD-001	DW-SPLIT-PVP-FX		16 Apr 2020 10:06:38	
16 Apr 2020 10:14:58	Transfer 5,554,730.00 USD from BankZ to Party A	USD	5,554,730.00	SETTLEMENT	CREDIT	✓	BankZ-USD-001	PARTY-A-USD-001	DW-SPLIT-PVP-FX		16 Apr 2020 10:06:38	
16 Apr 2020 10:18:03	Transfer 5,554,730.00 USD from BankZ to Party A	USD	5,554,730.00	SETTLEMENT	CREDIT	✓	BankZ-USD-001	PARTY-A-USD-001	DW-SPLIT-PVP-FX		16 Apr 2020 10:06:39	
16 Apr 2020 10:48:34	Transfer 7,014,093.72 GBP from BankZ to Party A	GBP	7,014,093.72	SETTLEMENT	CREDIT	✓	BankZ-GBP-001	PARTY-A-GBP-001	DW-SPLIT-PVP-FX		16 Apr 2020 10:27:22	
16 Apr 2020 10:48:10	Transfer 8,947,335.00 USD from Party A to BankZ	USD	8,947,335.00	CLEARING	DEBIT	✓	PARTY-A-USD-001	BankZ-USD-001	DW-SPLIT-PVP-FX	Manually matched	16 Apr 2020 10:27:22	
16 Apr 2020 10:32:33	Transfer 15,678,633.28 GBP from BankZ to Party A	GBP	15,678,633.28	SETTLEMENT	CREDIT	✓	BankZ-GBP-001	PARTY-A-GBP-001	DW-SPLIT-PVP-FX		16 Apr 2020 10:27:22	
16 Apr 2020 10:31:58	Transfer 20,000,000.00 USD from Party A to BankZ	USD	20,000,000.00	CLEARING	DEBIT	✓	PARTY-A-USD-001	BankZ-USD-001	DW-SPLIT-PVP-FX	Exact matched	16 Apr 2020 10:27:22	

Total Records- 12
Total Pages- 1

Node Profile | Counterparty Management | Users & Roles | Reports | Ledger | Trades

Full Transparency on Settlement Finality

Workflow Status

Task Name	End Time (UTC)	Status
Started	16 Apr 2020 10:50:02	✓
Transfer 814,809.00 GBP from Party A to BankZ	16 Apr 2020 10:57:16	✓
Transfer 1,041,292.00 USD from Party B to BankZ	16 Apr 2020 10:57:00	✓
Ownership Changed	16 Apr 2020 10:57:21	✓
Transfer 1,041,292.00 USD from BankZ to Party A	16 Apr 2020 10:58:08	✓
Transfer 814,809.00 GBP from BankZ to Party B	16 Apr 2020 10:58:00	✓
Completed	16 Apr 2020 10:58:15	✓

Baton Payments accelerator | Party P demo@batonsystems.com | Entity Party A

Approvals 0 | Notification 0

Net Id: NKAD87024-066751 | Status: COMPLETE | Created By: admin@party-a.com (3 months ago) | Last Updated By: Workflow Event (3 months ago)

Send: AUD 211.00 | Receive: SGD 191.00 | AUD Ref #: [Add] | SGD Ref #: [Add]

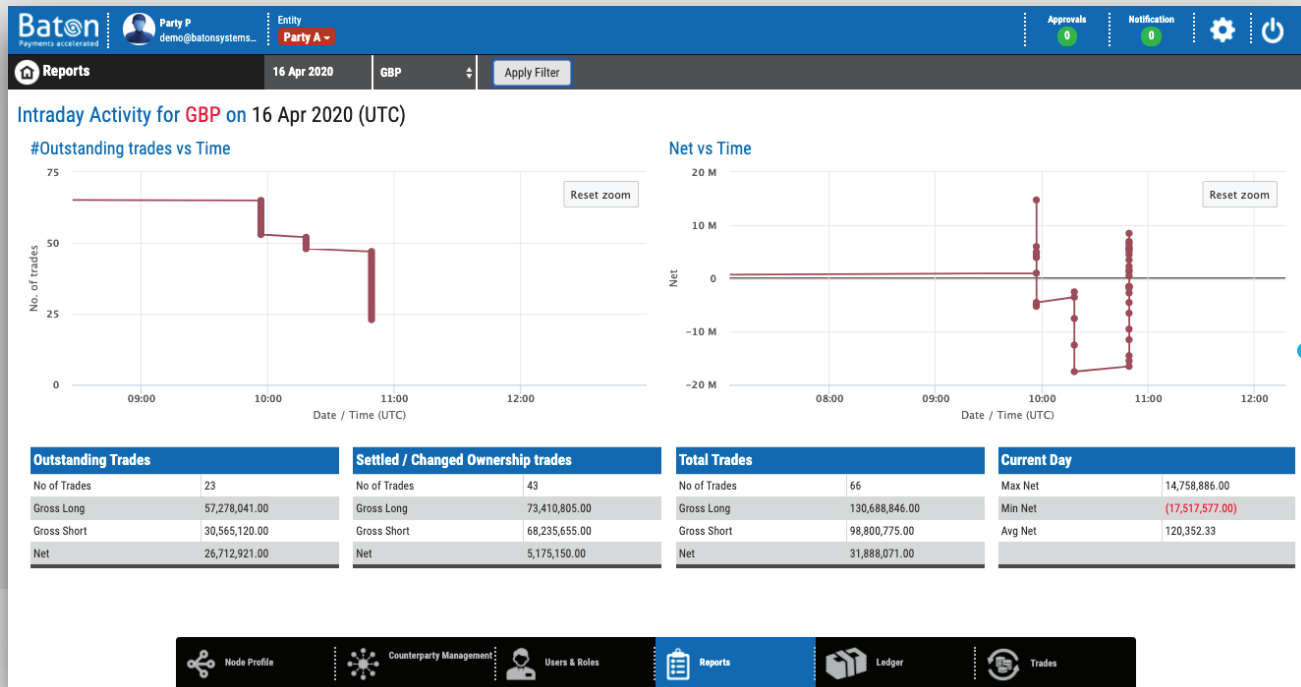
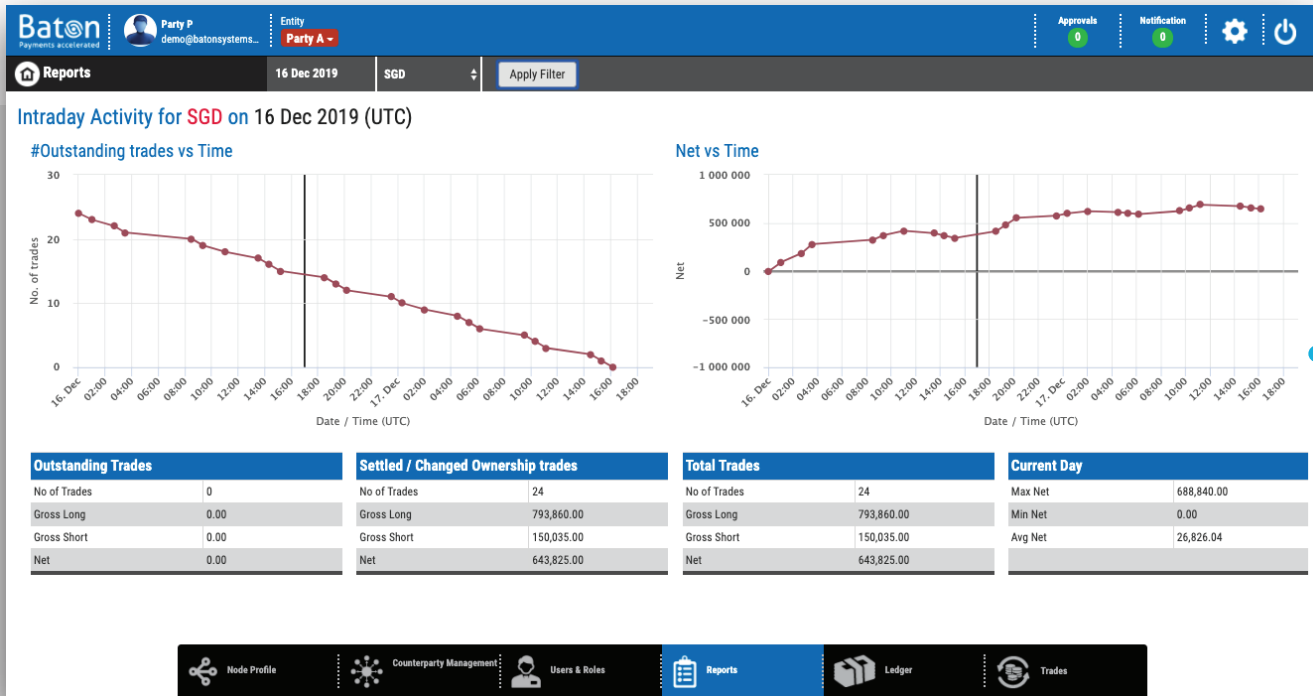
Value Date: 2020-01-13 | Counterparty: PARTY-B | No of trades: 2 / 0 | Comment: [Add]

[VIEW] Settlement Download Cancel Back

Ticket Num	MOE ID	Trading Party	Counter Party	Counterparty Actions	Product	Value Date	Trade Date	Trade Group	Ccy Pair	Rate	Buy/Sell	Traded Ccy	Traded Amount	Counter Ccy	Counter Amount	Execution Time	Status	Details	Trade Id	Other Metadata	Buyer Trade Id	Seller Trade Id
fx-demo-2020-01-13-net_8_TK1	4007448	Party A	Party B	FXBABB	FX	13 Jan 2020	08 Jan 2020	fx-demo-2020-01-13-net_8	AUD-SGD	1.31231	SELL	AUD	106.00	SGD	96.00	2017-10-26 21:05:09	Complete	[View]			1	0
fx-demo-2020-01-13-net_5_TK1	4007448	Party A	Party B	FXBABB	FX	13 Jan 2020	08 Jan 2020	fx-demo-2020-01-13-net_5	AUD-SGD	1.31231	SELL	AUD	105.00	SGD	95.00	2017-10-26 21:05:09	Complete	[View]			1	0

Showing 1 to 2 of 2 records

Monitoring and Optimizing Intraday Settlement Activity



CONTACT

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