Real-Time, PvP FX Settlements

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.
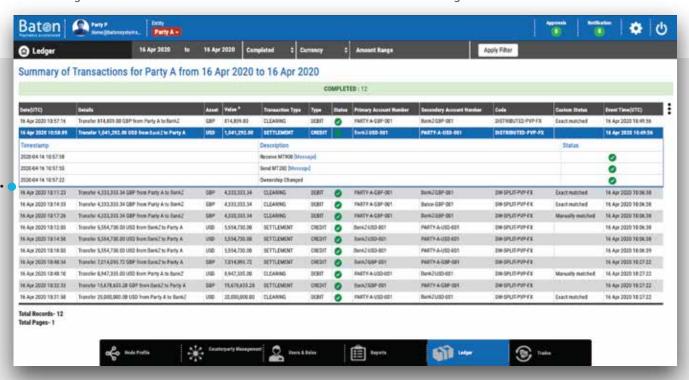
THE BATON SOLUTION

Baton addresses the core inefficiencies without requiring participants to convert assets into digital currency or significantly change existing business processes, systems or ledgers.
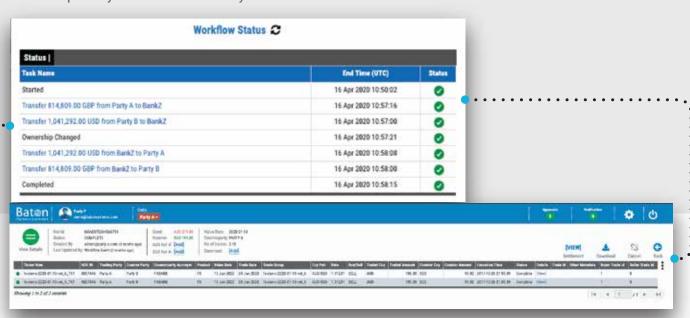
Baton synchronizes the movement of two legs of any type of currency transaction, regardless of time or the number of settlement and custodian banks involved. This results in faster, more efficient payments, a reduction in Herstatt and overall risk, and instant reconciliation and reporting for all parties. 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

Full Transparency on Settlement Finality

Monitoring and Optimizing Intraday Settlement Activity

Baton — Payments accelerated
Party P — demo@batonsystems... | Entity **Party A ▾** | Approvals **0** Notification **0** ⚙ ⏻

🏠 Reports | 16 Dec 2019 | SGD ▾ | Apply Filter

Intraday Activity for SGD on 16 Dec 2019 (UTC)

#Outstanding trades vs Time

Net vs Time

Outstanding Trades		Settled / Changed Ownership trades		Total Trades		Current Day	
No of Trades	0	No of Trades	24	No of Trades	24	Max Net	688,640.00
Gross Long	0.00	Gross Long	793,860.00	Gross Long	793,860.00	Min Net	0.00
Gross Short	0.00	Gross Short	150,035.00	Gross Short	150,035.00	Avg Net	26,826.04
Net	0.00	Net	643,825.00	Net	643,825.00		

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

Baton — Payments accelerated
Party P — demo@batonsystems... | Entity **Party A ▾** | Approvals **0** Notification **0** ⚙ ⏻

🏠 Reports | 16 Apr 2020 | GBP ▾ | Apply Filter

Intraday Activity for GBP on 16 Apr 2020 (UTC)

#Outstanding trades vs Time   [Reset zoom]

Net vs Time   [Reset zoom]

Outstanding Trades		Settled / Changed Ownership trades		Total Trades		Current Day	
No of Trades	23	No of Trades	43	No of Trades	66	Max Net	14,758,886.00
Gross Long	57,278,041.00	Gross Long	73,410,805.00	Gross Long	130,688,846.00	Min Net	(17,317,877.00)
Gross Short	30,565,120.00	Gross Short	68,235,655.00	Gross Short	98,800,775.00	Avg Net	120,352.33
Net	26,712,921.00	Net	5,175,150.00	Net	31,888,071.00		

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

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