

An overview of the PvP settlement demo



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Based in Austin, Texas, Tucker Dona is Head of Business Development and Client Success at Baton Systems, responsible for driving sales and business development.

In PAY21 Tucker gives a brief demonstration to help the audience better understand the functionality of Baton's real-time PvP settlement process for FX.

Fast and Efficient

"The Baton settlement process can be reduced to as little as three minutes," Tucker explains, keen to stress that settlement risk and funding costs are hugely reduced as a result of shortening the settlement cycle.

The key to Baton's process, he says, is both parties' use of Baton's shared permission ledger and workflow. The ledger is legally supported by a rulebook which provides for settlement finality and certainty.

Tucker takes the audience through the settlement process from a bank's point of view, showing how the day's trades can be viewed on a gross or a net basis and explaining how Baton nets and settles transactions on a currency pairs basis.

He describes how, typically, banks will settle automatically on the Baton platform using time or threshold-based triggers. For clarity, he then goes on to demonstrate the manual settlement of a netting group.

Once Tucker has chosen a netting group of AUD trades and confirmed settlement, the audience is able to watch the settlement process unfold.

"Each bank must first pay their respective currencies into the settlement account," Tucker tells us, demonstrating how the Baton system indicates official ownership change as settlement of the netting group takes place. This change, Tucker explains, is final and irrevocable, supported by the Baton PvP rulebook.



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“Once ownership change has been made, each bank can withdraw its proceeds from the settlement account into their individual funding accounts.” The screen confirms that settlement has completed in approximately three minutes.

Transparency

Using a large netting group of GBP200m as an example, Tucker goes on to explain the process of splitting a settlement, a process which allows a large netting group to be broken down into smaller individual payments.

Tucker demonstrates how the settlement process from the point of view of both parties is visible on screen, making it clear when both parties have paid into the settlement account and official ownership change has occurred. The ledgers for both parties can be seen to update simultaneously.

Finally, Tucker shows the audience how SWIFT details supporting any individual settlement can be viewed on the Baton platform as well as a list of all actions which have been initiated by the Baton shared permission ledger. “The platform has some great features,” he says. “Please reach out to learn more.”

About Baton Systems

Baton Systems is revolutionising the entire front-to-back post-trade process, introducing interoperable and connected digital market infrastructures from trade matching through to settlement.

Empowering financial institutions to take control, Baton is redefining what post-trade processing should look like: fully connected, friction-free, flexible and transparent. Founded in 2016 by Silicon Valley technologists and capital market specialists, Baton’s solutions are now being used by several of the world’s largest financial institutions to facilitate the movement of billions of dollars of cash and securities on a daily basis.

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