

Baton Core-Liquidity: transforming liquidity management through distributed ledger technology



Alex Knight
Global Head of Sales
- Baton Systems

In PAY21 October, Alex Knight, Baton Systems' Global Head of Sales, introduces Baton Core-Liquidity, a solution based around a set of wallets that share in an underlying cash account with a nostro bank, allowing for real time, frictionless movements of cash.

"This isn't blockchain, or stablecoin, or tokenisation," Alex says. "Put simply, it's addressing old money problems with the best in new, shared ledger technology."

Alex explains that Core-Liquidity allows asset ownership to be transferred in real time and on demand, 24/7, in a legally enforceable way. "In essence," he explains, "it delivers programmable money onto existing rails."

The Challenge of Tracking Liquidity

Alex goes on to say that, for large financial institutions, internal fund transfers make up a huge proportion of total cash movements. "Within these organisations, each entity generally maintains its own nostro in each currency," he says, "but transfers between entities are often time-consuming, hard to synchronise and expensive." Since it is challenging to maintain and track liquidity, he continues, firms often find themselves crossing large spreads on interest payments and charges even though, overall, they are sufficiently funded to avoid this.

Smart Workflows

We deploy our shared permissioned ledger and smart workflows at the banks where you hold your nostro accounts," Alex says, explaining how Core-Liquidity works. "The workflows can be used to optimise the netting and sequencing of internal cash movements to match your binding constraints, while the Baton ledger reflects the allocation of asset ownership across a range of sub-accounts or wallets."

Changes of ownership, he continues, are driven through the Baton workflows according to the configuration and instructions determined by the user.



“This is addressing old money problems with the best in new, shared ledger technology.”

Alex Knight - Baton Systems

“They are completely flexible,” Alex says, “and enforced by a robust rulebook.” This ensures irreversibility and enables settlement finality.

The Benefits

The main benefit of Core-Liquidity, Alex explains, is a huge improvement in the use of liquidity at the firm level, reflected through lower funding and capital costs. The solution also gives firms real time reporting and control over the movement of funds between their affiliates and allows them to reduce the operational and third-party costs associated with internal cash transfers. “You can systematically deploy a new set of payment functions that simply wouldn’t be possible with your existing technology,” he says.

The Demo

Alex demonstrates the Omnibus Balance Summary, where users can view multiple affiliated entities holding cash in several different, currency-specific accounts. He explains that the ownership of the assets is reflected in the digital wallets held by each entity on the Baton ledger, and that the whole process is governed by a rule book to provide legal certainty.

The wallet balance for each participant in the shared account is visible on screen. “Each participant is generally a separate node on the Baton shared permissioned ledger,” he explains. “This ensures data confidentiality and control.”

Users also have a detailed view of each individual ledger entry with an exact timestamp of each ownership change and a reflection of the opening and closing balances of the wallets in question.

Demonstrating how a payment is made between two parties, Alex points out how the balances for the parties changes immediately and simultaneously although the overall balance in the shared nostro does not. He then shows the transaction summary which gives full details of the movement with a timestamp which is consistent for both of the participating entities.

Alex then shows a representation of the wallet structure within each shared nostro account, with one-way transfers, Payment on Payment and Payment versus Payment settlements activated and registered in real time.

“Each of the participating entities can fund or de-fund the shared nostros to meet their own obligations as they see fit,” he says. “A funding transaction will be initiated using conventional payment rails before passing through into the digital layer as the assets are represented within the wallets in the Baton ledger.”



“This is a solution that can revolutionise your liquidity management.”

Alex Knight - Baton Systems

These instructions, he adds, can be generated using Baton’s configurable smart workflows, based on a complete and real time view of outstanding obligations and available funds across multiple locations.

Following the demo Jerome Kemp, President of Baton Systems, joins Alex to talk about his personal experience of managing liquidity across multiple legal entities.

“The inability to quickly understand outstanding obligations in real time, and to frictionlessly move assets around to optimise the sequencing of inflows and outflows is a source of massive costs to most businesses,” Jerome says. “So don’t wait – this is a solution that can revolutionise your liquidity management and deliver some of the huge benefits that distributed ledger technology has promised for years.”

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.

www.batonsystems.com