

Baton Core-Payments: Transforming Your Settlements and Payments Processes



Alex Knight

Global Head of Sales
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In PAY21 October, Alex Knight, Global Head of Sales at Baton Systems, introduces Baton Core-Payments, a solution which uses business-defined rules to give users complete control over their payments and settlements, across business siloes. This means that a payment won't be made simply because of its position in a queue, but because the intelligence signifies that it is the right time to do so.

Alex explains that a challenge faced by many firms is that their operations functions don't have real time visibility into their settlement exposures at a counterparty level. "It seems absurd that in 2021 payments might continue to be made in ignorance to a counterparty that has failed to meet its own obligations," he says, "but this is the reality, a consequence of the legacy processes still in use.

"Core-Payments provides a suite of tools which transforms your settlements and payments processes without imposing new technology on your counterparties or customers."



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Automating legacy processes

Alex goes on to explain that Core-Payments automates and simplifies the process of agreeing netted settlement amounts, which reduces operational pressure and the risk of errors.

Moving further along the post-trade workflow, Alex says, "we automatically reconcile inbound payments as they are received. This allows a calculation of real time settlement risk exposure as well as a clear view of current and forecast funding requirements at the currency level."

Using this real time data, Baton's smart workflows automatically hold or release payments based on the user's choice of configurations.



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Alex stresses that Core-Payments is highly scalable and can be integrated seamlessly and non-intrusively with legacy systems and processes, making implementation quick and easy. “We’ve done the work so you don’t have to,” he explains.

The Benefits

“First and foremost,” Alex says, “you can avoid ever breaching limits or paying against a failing counterparty. You can manage your nostros more effectively. And you can do all this with reduced manual input, which means an overall increase in efficiency and productivity.”

The Demo

Displaying the Pre-Settlement Matching module, Alex explains that almost all banks struggle with agreeing netted settlement values with their counterparties. In some cases, he says, this forces banks to continue to settle gross to avoid the difficulties associated with netting.

The module allows users to net transactions using different rules that are consistent with the approach taken by different counterparties. “This is a solution that can operate across multiple business siloes,” he says, “which allows for the easy netting of a variety of different obligation types.”

Core-Payments then integrates with the processes a firm already uses to communicate with counterparties, such as email, SWIFT, or other third party tools. Alex demonstrates how, when a user is sending out pre-settlement values, Baton can automatically populate and send the message as well as consuming an acceptance message. Conversely, when a counterparty is sending values, Baton can consume them, compare them with the specific netting rules that have been configured, either matching the values or generating an instruction for a repair.

Moving on to the Settlement Monitor, Alex demonstrates how this module provides a real time update of the status of incoming and outgoing payments, as well as calculating real time settlement risk exposures for each counterparty. These are referenced against the firm’s own risk limits.

The real time reconciliation of inbound settlements uses unique reference IDs to ensure the correct allocation of each receipt. “This will revolutionise your reconciliation process,” Alex says. “You can say goodbye to the laborious process of next day reconciliation and have the control and visibility that you always wanted.”

Alex goes on to demonstrate how configurable rules running in the background provide an even greater degree of control as they check whether the release



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of each outbound payment would result in a breach of the relevant limit. If it would, the system automatically holds the instruction until an appropriate inbound payment is received.

The Liquidity Tracker module uses the same real time information feeds, but views the data through the lens of liquidity by currency and by nostro account. Through the combination of real time visibility and the configurable rules, it allows users to take greater control of their nostro funding.

Alex explains how rules can be set up to control outbound payments, while high value payments and receipts can be flagged for special attention. The system can also split payments automatically by currency and counterparty.

The risks are real

Following the demo, Alex is joined by Jerome Kemp, President of Baton Systems, who shares some observations based on his recent conversations with industry seniors.

“Banks need to be all over this,” Jerome says. “The risks of paying out to a counterparty that is already failing, or breaching limits or failing settlements, are real.” The repercussions, he says, are not just financial – there can be huge reputational and regulatory implications.

“An inability to dynamically manage this aspect of payments is a massive blind spot for numerous banks and other market participants,” Jerome continues. “Baton offers an intuitive, intelligent and secure way to help its partners get a lot smarter about managing what goes out of the door.”

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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