

Why interoperability is proving critical for post-trade Digital Market infrastructures

By Alex Knight, Global Head of Sales and EMEA at Baton Systems



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Looking to the future, and the bank of 2030, is key to understanding why interoperability is becoming so important. Multiple developments are afoot, including the range of assets a bank will settle - this is going to change markedly and in only a few years will likely include Central Bank Digital Currencies, Stable coins, Digital Security tokens, and Crypto Assets alongside Fiat currencies and Securities. This diverse set of assets will create significant challenges for banks as their infrastructure will need to be able to process across this broad spectrum.

To support these changes there's an increasing realisation that embracing cloud-based SaaS (Software as a Service) offerings and adopting digital market infrastructures throughout the trade lifecycle will be critical. Technical teams are under pressure to make this shift – but new technologies will need to deliver interoperability, reliability and extensibility.

WHAT IS BATON SYSTEM'S APPROACH?

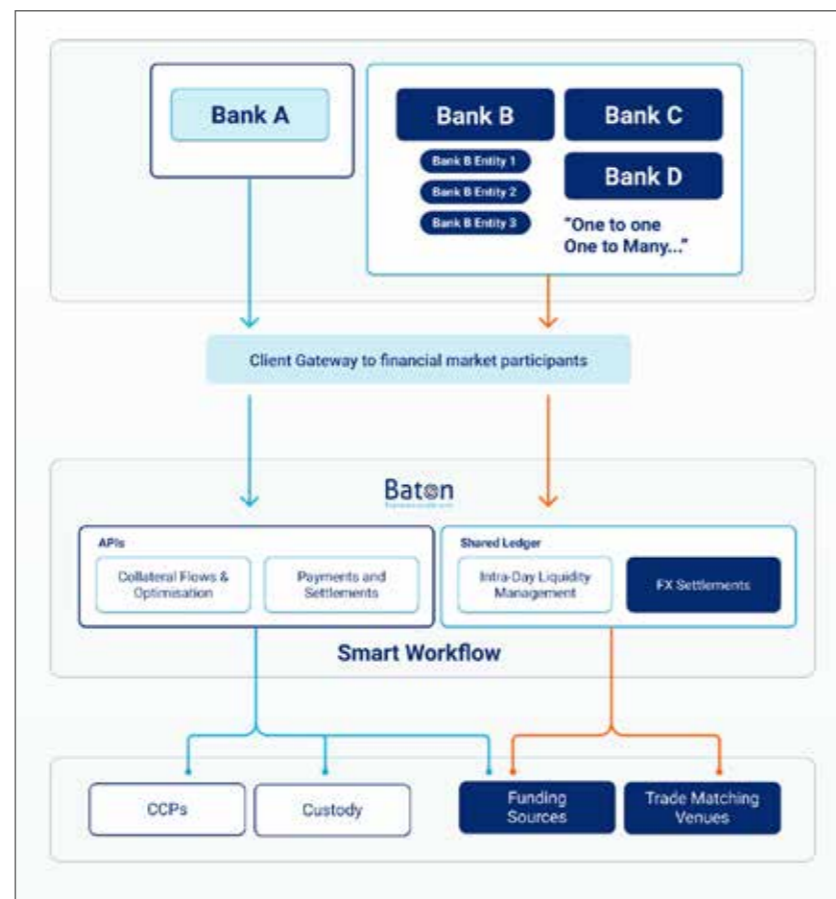
Baton's interoperable rules-based distributed ledger solution is the back-

WHAT IS INTEROPERABILITY?

The Post-trade world is embarking on a period of significant change, with the development of new solutions that will radically reduce complexity, increase security and drive efficiency. But for these innovations to work, they must integrate with the legacy systems operated by individual banks. Interoperability with existing systems is proving to be a major facilitator in enabling forward-thinking banks to innovate now.

WHY IS IT IMPORTANT?

One-size-fits-all simply doesn't work. Banks operate multiple complex systems, built-up over decades and they're here to stay. There's also certain things a bank does that are intentionally proprietary and non-standard – the management of risk and liquidity to name just a couple. Banks derive much of their competitive advantage from these areas and they'll always maintain a point of difference, but they still want to realise the opportunities of innovation.



Securely deployed through the cloud using a single tenant architecture, Core-FX integrates seamlessly with existing systems and processes

bone of Core-FX, which empowers banks to quickly and safely settle FX trades across all currencies and the participants to achieve settlement finality. When designing Core-FX we initially considered blockchain, but Blockchain's design principles mean that it works best when everything is on the chain vs breaking away to access other systems.

Core-FX enables banks to harness a digital market infrastructure without needing to replace existing systems. It seamlessly integrates with core ledgers, payment gateways and messaging systems using secure access protocols, adapters and APIs. To achieve this, we realised early on there were three core elements to interoperability: data, workflows and security:

Data: we knew efficient data translation and scalability would be key. So we built a platform able to access data via push, pull or streaming modes and then normalise and understand data received in multiple formats. So we can access and translate data simply and seamlessly for any bank, optimising cost and speed. Furthermore, our serverless queuing technology and use of auto-scaling ensures we can scale up or down as required.

Workflows: there will always be functions a bank won't outsource, liquidity management, for example, this will be custom and proprietary for each bank. So workflows operating in distributed ledgers need to interoperate with multiple bank entry points. We designed Baton's smart workflows to go outside the distributed ledger when required, interact with existing systems, capture necessary information, then continue progressing with the next step.

Security: we harness SAML (Security Assertion Markup Language) to integrate with other systems and enable those systems to maintain their identity – so the banks manage their own identities and users; we use role-based access control with different levels of permissions, aligned with and operated through internal systems; and we operate a 'single tenant' approach, where we isolate each customer into a different AWS account.

At Baton we're redefining post-trade, revolutionising the entire front-to-back process by introducing digital infrastructures from trade matching through to settlement. Our approach to interoperability is central to achieving this and enabling firms to experience post-trade as it should be: fully connected, friction-free, flexible and transparent.

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