



Baton
Post-Trade • Redefined

Presentation to the Federal Reserve (NY) Innovation Advisory Council

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Challenges & DLT Solutions for payments & post trade

Client Challenges

DLT Solutions

Payments & Settlements

Hierarchical access to safe settlements

Limited Access to centralized venues for settlements

Democratization of Access for R/T access and safe settlements

Democratic access to safe settlements

Post Trade & Risk

Legacy stack with limited visibility & control of risks & costs

Incompatible: Big rip and replace initiatives don't work
Batch Processing are expensive and unable to address post trade risk

Interoperable alternatives available on secured cloud infrastructure
DLTs allow **Real Time** visibility and control at lower costs

Modernize stack with R/T visibility & control to reduce risks & costs

Gaps in Regulations

Regulatory Gaps covering DLT System Providers

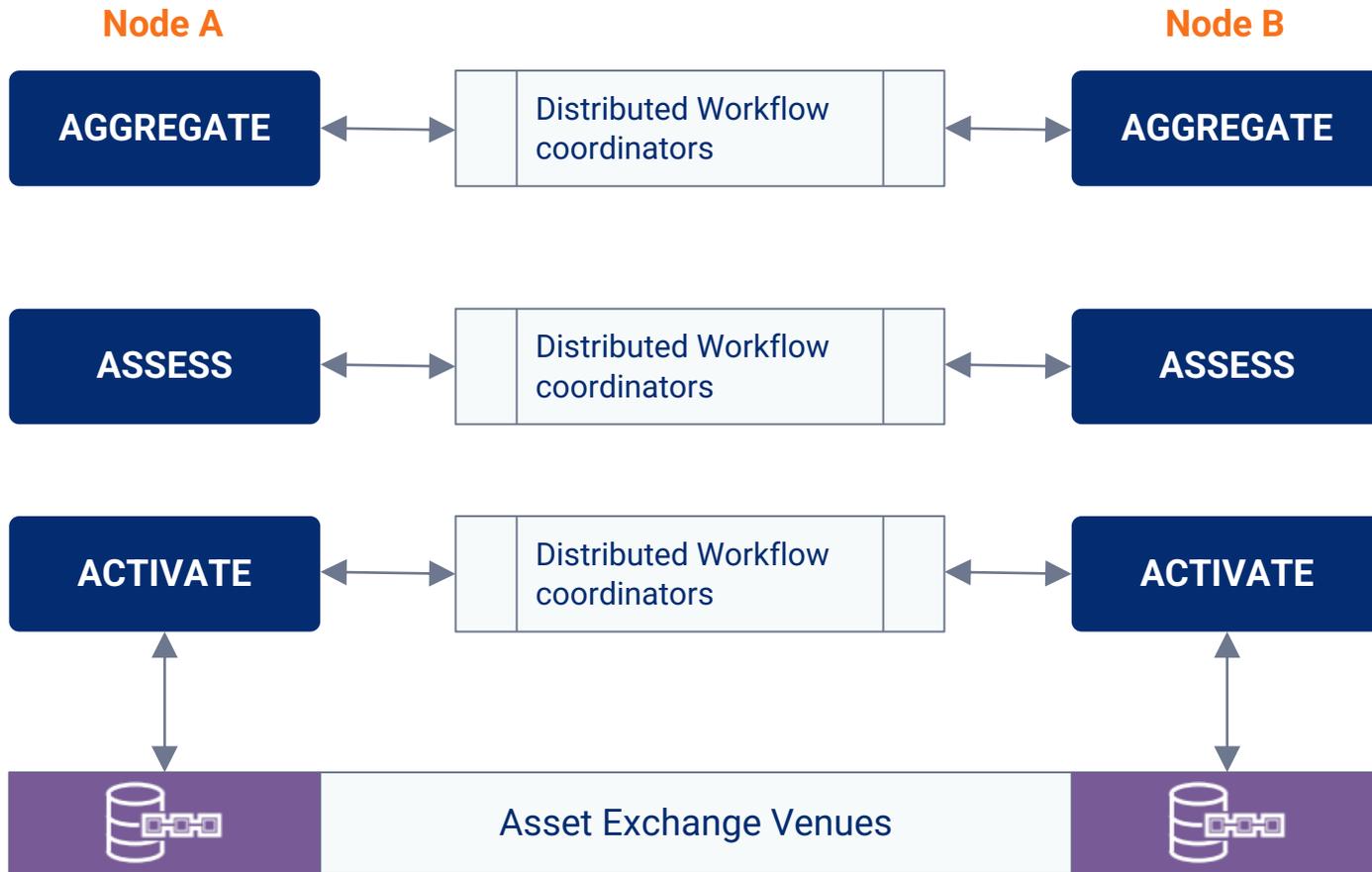
Unclear: The regulatory envelope for DLT system providers is unclear
Inconsistency: Securities Settlement is more complex; so are the laws
Neglected: No focused attention from Regulators on InfoSec

DLT providers that synchronizes large values seek **Regulatory Clarity**
Tokens can address Securities Settlement with **Uniform Laws**
InfoSec needs immediate attention from everyone

Enforce regulatory regime for DLT system providers



Baton's DLT Architecture



DLT with Asset Mobilization is key

Distributed workflows with real time shared data interoperate with existing systems

Asset Mobilization:
Two way orchestration of cash and securities reduces latency and increases throughput of asset exchange

Rulebooks:
Make simultaneous exchange legally binding with finality



Baton DLTs that are in production in Tier 1 Banks

Core FX

Interbank PvP Settlement of FX

1. **Aggregate** Ingest all FX trades across banks
2. **Assess**: Bi-Lateral matching of trades (where needed)
3. **Real Time Netting** (Bilateral and Multilateral)
4. **Activate**: On demand PvP Settlements with finality in 3-5 minutes with no risk
5. **Reconcile**: to books and record systems at banks

Core Collateral

Between FCM and CCPs

1. **Aggregate**: Provide COD, Margin calls, Eligibility etc in R/T from CCPs via unified API's to FCMs.
2. **Connect**: to Custody and CSD to get R/T list of asset inventory
3. **Assess**: R/T normalized views of exposures, longs box, optimize asset movements
4. **Activate**: Orchestrate asset movements at CCPs, FCM and custody banks
5. **Reconcile**: to books and record systems at banks

Core Payments

Real Time visibility and control of all wholesale transactions

1. **Aggregate**: Ingest all cash exposures and obligations
2. **Connect**: to see client alleges and match netting values
3. **Assess**: R/T risk projections by counterparty, legal entities, etc. R/T settlement monitors for receipts
4. **Activate**: Controlled Settlements to manage liquidity – Split, PoP, PvP.

Baton settles between 20-30B of assets across cash and securities. It interoperates with existing banking systems.



DLT: Not for all Seasons

Use Cases for DLT

- Single Source of Truth across heterogeneous systems and organizations
- Shared Workflows
- Data Lineage across workflows and transactions
- Non Repudiation between organizations when traditional flows are bilateral or multilateral without a central party

Use Cases not for DLT

- A Blockchain model where all data sits on every node.
- Data Warehouse or a Data Replication solution from a central venue to different "nodes."
- When the traditional workflow today is centralized or within one organization or legal entity - CCP, CSD, Exchange, etc
- As a better reporting tool

Thank You

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