

RIPPLE AND THE INTERNET OF VALUE



IN 2017 cryptocurrencies are becoming the NEW asset class. Bitcoin’s market cap is at \$41 billion and Ethereum’s market cap is \$21 billion. In third place among digital currencies is Ripple, with a market cap of \$12 billion. Blockchain technology is arguably the most disruptive breakthrough since the Internet

itself. The phenomenal price increase in digital blockchain assets like Bitcoin, Ether and Ripple this year has started to reflect this growing realization. On January 1, Ripple (XRP) traded at 0.00638 against the U.S. dollar, and on June 1 stood at 0.24505—a return of 3,743%. Ripple is often referred to as the Internet of Value. Ripple is a real-time gross settlement system (RTGS), currency exchange, and remittance network operated by Ripple.

It is built upon a distributed open source Internet protocol, consensus ledger and native currency called XRP. Released in 2012, Ripple is meant to be a “secure, instant and nearly free global financial transactions of any size with no chargebacks.” It supports tokens representing fiat currency, cryptocurrency, commodities or any other units of value, such as frequent flier miles or mobile minutes. At its core, Ripple is based on a shared, public database or ledger, which uses a consensus process allowing for payments, exchanges and remittance in a distributed process.

One big problem with traditional money is that it is not easily interoperable, globally. It takes days to move value from network to network, and costs globally over \$2 trillion a year to move that value. This problem creates friction, daily, for banks, corporations, and individuals. Ripple’s distributed financial technology aims to solve these issues by enabling banks to send real-time international payments across networks. Using Ripple, banks can meet growing demands for faster, low-cost, on-demand global payment services of any size.

Ripple cannot and should not be compared to Bitcoin—they are completely different. Bitcoin’s essence is



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all about building decentralized consensus, and a trust-free decentralized transaction ledger for tracking the ownership of Bitcoins. Bitcoin’s value arises in that they are counterparty-risk free assets. Your Bitcoin is not somebody else’s liability. Ripple, conversely, is all about a distributed ledger of somebody else’s liability. The key point of Ripple is on representing liabilities issued by identifiable issuers, which can be transferred between individuals on a network.

XRP however is the fastest, cheapest and currently most scalable, digital asset, enabling real-time global payments worldwide. These features make Ripple the third largest Blockchain digital asset, although supply concerns have limited its market cap growth. Investors are concerned about the maximum supply of XRP that can enter the market. Critics say that the banks created Ripple for themselves, as a centralized “hybrid fake” Blockchain instead of a truly distributed decentralized Blockchain like Bitcoin or Ethereum. XRP, however, for now is the only digital asset with a clear-use case—it’s the best digital asset for payments. As such, it merits study by investors who believe in a future of multiple digital assets, each with a unique comparative advantages and distinct roles in driving growth and diversifying investment portfolios.