

Why payments today are slow and expensive

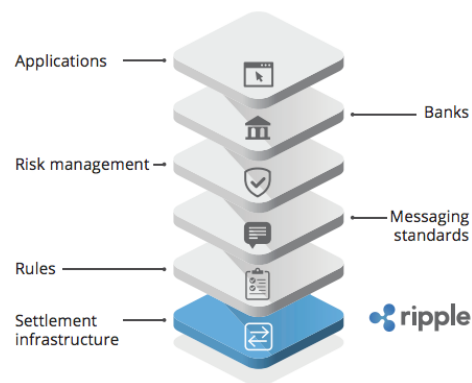
- Today's payment systems are closed and incompatible with each other. They were built country by country before the existence of the Internet.
- Every payment ultimately requires moving money from one bank account to another, meaning all payment service providers (e.g. Visa, PayPal) settle transactions via intermediaries.
- For example, a patchwork of correspondent banks are used to facilitate cross-border payments. Each link in the chain creates risk as a potential point of failure, costs, and time delays. As only a few banks are large enough to provide liquidity for global payments, FX rates are not competitive.

A new, direct and transparent way to settle payments

Ripple enables direct, point-to-point payments. Financial institutions and payment networks use Ripple to move money from bank to bank in real-time, minimizing risk, costs, and time delays. Tapping into Ripple's open marketplace, banks also benefit from competitive FX rates.

Ripple complements today's payment stack

As settlement infrastructure technology, Ripple enables interoperability among today's networks, but it doesn't replace existing players. Ripple is technology for instant, cost-effective funds settlement. Existing players continue to provide rules, messaging, risk management, and consumer experiences.



Use cases: domestic and cross-border

Domestic: With Ripple, central banks enable their member banks to clear and settle transactions directly and in real-time. Today, most central banks settle once a day in net batches via an RTGS system. Ripple enables instant, point-to-point settlement, lowering the cost and risk of transactions. By using Ripple, domestic systems can easily interoperate with others also using Ripple, so it's extensible to cross-border cases.

Cross-border: To make payments across currencies today, banks rely on a network of correspondents (banks with accounts in multiple currencies). This chain of intermediaries inherently creates risk of payment failure and time delays, adding costs at each link in the chain. Ripple enables real-time, bank-to-bank, cross-border payments with no intermediaries. Ripple's open marketplace affords banks competitive FX rates for the first time in history.

Summary: benefits for financial institutions

- Real-time, direct, bank-to-bank settlement – no reserve funding required, end-to-end visibility, no points of failure
- Competitive FX rates
- Interoperability with other banks or systems using Ripple
- Lowering costs and risk enables greater volumes and low-value payments

Ripple's open marketplace

Market makers fuel the Ripple liquidity pool by holding funds in multiple currencies and competing for foreign exchange

Ripple in Japan

Japanese Yen currently makes up about 25% of the daily trading volume on Ripple. Japan has shown considerable interest in Ripple, with five active Japanese gateways on [Ripple Charts](#). Three of these are certified as trusted, compliant and secure [IRBA](#) gateways.

Currently, the Japanese media portrays Ripple as a digital currency rather than enterprise-level technology for banks. This will inevitably shift as Japanese financial institutions and regulators begin to embrace the benefits of integrating Ripple for real-time settlement.



trades. Ripple's unique algorithm searches all of the market makers' orders to instantly serve up the fastest, least-cost option for a cross-currency transaction. On Ripple, market makers have the opportunity for the first time ever to compete to provide liquidity for global payments, and they profit on spreads.

Ripple's digital asset: XRP

Ripple has a native digital asset that serves two primary purposes: security and trading efficiency. Firstly, XRP protects Ripple against spam attacks, because a miniscule XRP fee is destroyed for every transaction. Secondly, XRP is a useful instrument for market makers on Ripple. As a native, digital asset, XRP can be used as a common denominator between all currencies on Ripple. Banks can use XRP as a bridge between currencies without requiring a reserve account. As banks continue to adopt Ripple and volume grows on the network, XRP will be more and more useful as a trading instrument. Unlike other digital assets, XRP is not designed or intended as a means of exchange, investment or store of value. Buying XRP does not and could never offer a certain return.

Recent Milestones

May 2014	Ripple Labs announces Fidor Bank AG as First Bank to use the Ripple Protocol
June 2014	AstroPay launches first Latin American money service business on Ripple Protocol
July 2014	GBI's Ripple Gateway allows anyone to now trade, send and spend physical gold online via
September 2014	Cross River Bank announces plans to integrate Ripple for real-time international payments
September 2014	Hundred-year-old CBW Bank becomes one of the first U.S. banks to integrate Ripple as transformational money transfer protocol
December 2014	Earthport and Ripple Labs announce global partnership to improve the efficiency and speed of cross-border payments
January 2015	Former Chief White House advisor Gene Sperling joins Ripple Labs Board of Directors

As of February 2015