

B2B PAYMENTS

# Ripple Effect For Blockchain And Banks



By PYMNTS □ □

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Ripple's CTO sees promise for its interledger protocol as banks and enterprises demand payments speed and security.



Ripple is looking to make waves in the way banks move money. In the latest salvo in the movement of money with speed and accuracy internationally and as an alternative to correspondent banking, Ripple has **released** its **Interledger Protocol**, with an eye on moving money between ledgers and in multiple units. PYMNTS caught up with Stefan Thomas, Ripple's chief technology officer, to get a sense of how far-flung ledgers can work together.

**PYMNTS: Blockchain technology is by no means a straightforward, easy-to-understand concept. But can you break it down, to its core, as to what Ripple's Interledger Protocol is all about?**

ST: At its core, the blockchain is a digital ledger that can be used to track assets or transactions. This makes it just another version of a distributed ledger like Ripple. There are many different types of ledger and payment systems used by banks, corporates and others today for different applications.

No single system or ledger can be expected to handle the volume of the entire world's payments or address every need and use case. The beauty of having so many solutions is that each ledger can serve a distinct use case extremely well.

The Interledger Protocol was designed to allow all of these ledgers to work in concert. It is a free, open source and neutral Web protocol that enables interoperability between these diverse ledgers to deliver infinite scalability and flexibility. This improves the ability of each ledger to customize schemes with the other ledgers with which it interacts.

**PYMNTS: You recently told reporters that the solution can be particularly helpful in cross-border settlements. How can ILP be useful for corporations as the global economy becomes less restricted by national borders?**

ST: Today, corporations often need to pre-fund bank accounts in foreign nations where they do business in order to save time and money in currency transactions. This effectively forces them to tie up capital around the world in local currencies to account for the siloed payment ecosystem and two — or more — days of settlement times.

As a result, antiquated payments infrastructure results in additional costs for banks and their corporate customers, and this need to pre-fund accounts leads to stagnant currency accounts and a high opportunity cost — as much as 80 percent of a transaction by some estimates.

ILP helps interconnect the payment ecosystem, eliminating these inefficiencies and enabling corporations to make payments as needed versus having to pre-fund accounts. This allows them to allocate that working capital elsewhere and use their capital in entirely new ways.

**PYMNTS: Can you go in depth a bit about how ILP protects payment data?**

ST: Distributed financial technologies like Ripple offer enterprise-grade technology and protection and ensure that no customer information passes through the public ledger.

Some of Ripple's bank partners have requested that we take this a step further so that even their aggregate transaction data is private. ILP enables all transaction data to remain within bank

ledgers.

**PYMNTS: Maybe you can't say which banks are already experimenting with ILP, but can you give us any insight into the types of companies that are using it? Large versus small or by industry for example?**

ST: ILP is based on extensive customer feedback from banks across the industry — large and small, retail and commercial — who have piloted Ripple over the past year.

We plan to soon release an ILP-enabled version of Ripple to bring about the key features requested by banks, such as private transactions, infinite scalability and the ability to denominate fees in any currency. We believe this product flexibility will result in many more banks deploying Ripple.

**PYMNTS: Do you envision a certain type of corporate demographic as early adopters of ILP? What are you expecting for this solution in the next five to 10 years? What needs to happen for ILP to see mass adoption?**

ST: ILP is an open, neutral protocol to interconnect the world's ledgers. To become a standard, it needs industry adoption to provide the maximum value.

We believe banks will be among the first adopters of ILP, using it within cross-border settlement solutions like Ripple that they are already familiar with, enabling them to efficiently make private transactions across borders and across different ledgers.

Through our work at the W3C, we are also looking to engage with tech and payments companies and the Web community generally.

In the same way that ILP bridges across technical differences in bank-to-bank settlement, it could bridge incompatible Web and mobile payment systems.

Today, we are stuck with very few large networks providing global reach. Imagine if customers and merchants could each choose small, competitive local providers and still transact with each other around the world. We believe it would be as transformative as the transition from AOL to the modern Internet.

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