

Introduction

This deck represents a series of discoveries in public information about the relationship between Ripple Labs, Inc., the company, and XRP, the digital asset.

Many of the findings in this deck have been scrubbed from the web and are unavailable today. However, thanks to internet archiving, it is possible to go back in time and reconstruct an accurate historical account of the formation of Ripple, Inc. and the creation of XRP.

In general, today's public narratives about the company and the asset do not coincide with the evidence presented in this deck.

Read with the benefit of doubt, this information tells a story of negligent marketing. At worst, it tells a story of deliberate deceptive marketing, disinformation, and at times outright lying to distance Ripple Labs from XRP tokens.

XRP's market capitalization exceeds \$17 billion dollars today, and XRP is the second-largest crypto asset. There could not be more at stake.

All of this information is public and sourceable. Investors deserve to know what they are buying.

Links are included for all materials.

State of the Union

Ripple Labs is currently facing a Federal class-action lawsuit alleging that XRP was sold as an unregistered security (based in part on the claim that Ripple created XRP).

The consolidated class action combines previous class-action lawsuits filed by plaintiffs Avner Greenwald, David Oconer and Vladi Zakinov. A fourth suit filed by Ryan Coffey was voluntarily dismissed by the plaintiff in August, though Ripple's attorneys later filed to have it related to Zakinov's suit.

The defendants now include Ripple Labs and its subsidiary XRP II, as well as Bradley Garlinghouse, Christian Larsen, Ron Will, Antoinette O'Gorman, Eric van Miltenburg, Susan Athey, Zoe Cruz, Ken Kurson, Ben Lawsky, Anja Manuel and Takashi Okita.

In order to distance itself from XRP, the company and employees at Ripple Labs have espoused a narrative that Ripple Labs did not in fact create XRP. They have also consistently denied any possibility that XRP could be an unregistered security.

This deck collects evidence from the web to investigate these claims. Three primary questions will be examined: 1) Did Ripple Labs create XRP? 2) Is XRP an unregistered security according to the Howey Test? 3) Lastly, based on the most recent actions of the SEC with Paragon, is it likely that Ripple Labs will be reprimanded for similar infractions?

Overview of Ripple



Ripple Labs, Inc. is a California-based C-corporation that's raised over \$93.6 million in funding over 6 rounds.

The company's primary focus is building software for banks, money transfer providers, and other financial institutions.

Ripple is a blockchain protocol for inter-bank settlements.

Unlike other blockchains, Ripple is designed to work with existing institutions to facilitate transactions of any asset globally.

Sources: <https://www.crunchbase.com/organization/ripple-labs>

Overview of XRP (Ripples), The Cryptocurrency



Ticker: “XRP”

Token Price: \$0.43

Fully-Diluted Valuation: \$43 billion

Volume: \$1.57 billion

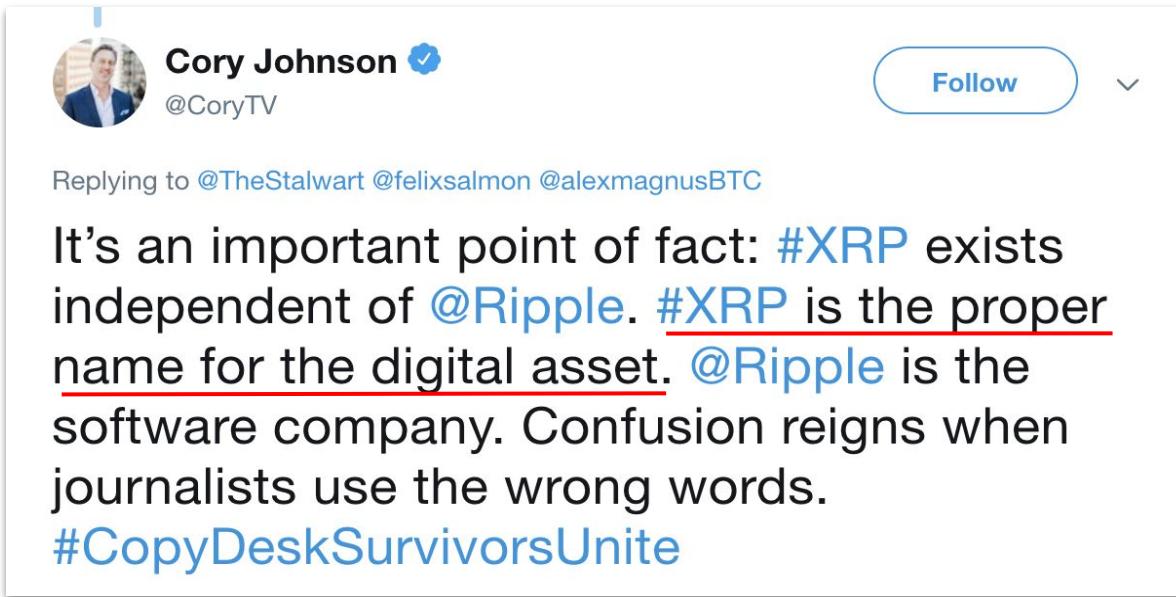
XRP serves two purposes:

1. To pay fees on the Ripple Consensus Protocol, and
2. As a “bridge currency” for value transfers between any two institutions that don’t have a trusted relationship

First Off, Did Ripple Labs
Create XRP Tokens?

Ripple Labs Claims They Did
Not Create XRP

2018, @CoryTV: Digital Asset is “XRP,” not “Ripple”



Cory Johnson (@CoryTV) on Twitter

Follow

Replying to @TheStalwart @felixsalmon @alexmagnusBTC

It's an important point of fact: #XRP exists independent of @Ripple. #XRP is the proper name for the digital asset. @Ripple is the software company. Confusion reigns when journalists use the wrong words.

#CopyDeskSurvivorsUnite

Sources: <https://twitter.com/CoryTV/status/1047937158281981952>

Cory Johnson is Ripple Labs, Inc.’s Chief Market Strategist

2018, @Ripple: “The Difference Between Ripple and XRP”

The screenshot shows a tweet from the official Ripple account (@Ripple) on July 9, 2018. The tweet features a graphic titled "THE DIFFERENCE BETWEEN RIPPLE AND XRP". The graphic has two columns: one for "ripple" (the company) and one for "XRP" (the digital asset). A central box labeled "WHAT IS IT?" contains the following text:
For Ripple: "A technology company that provides the most efficient solutions for sending money globally."
For XRP: "An independent digital asset. The XRP Ledger is the open source blockchain technology behind it."
Below the graphic, the tweet text reads: "The digital asset #XRP and the company #Ripple are distinctly different. Learn why. bit.ly/RippleVsXRP"
The tweet has 1,582 likes and was posted at 2:00 PM on July 9, 2018. It also indicates that 832 people are talking about it.

Sources: <https://twitter.com/ripple/status/1016396567849287680?lang=en>

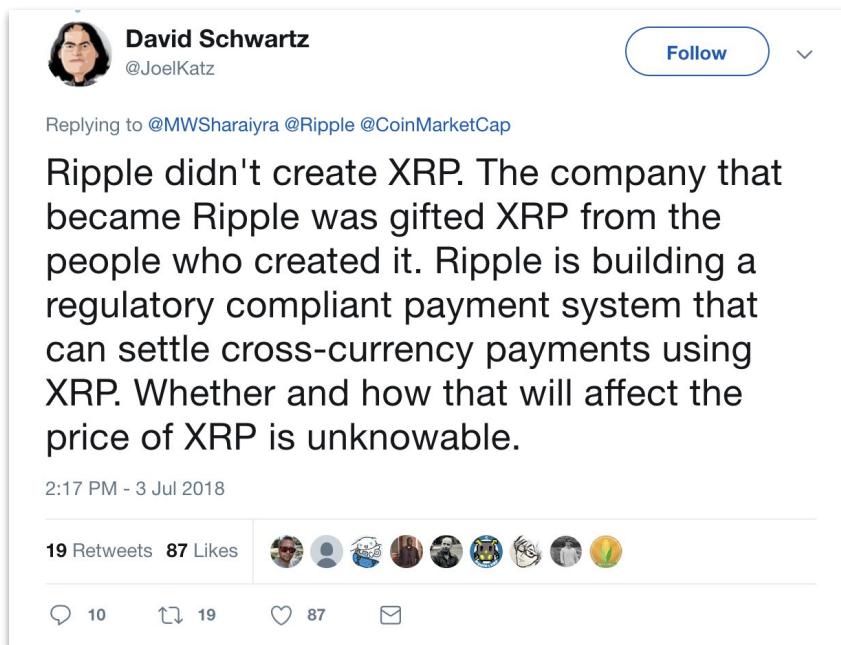
2018, Ripple.com: Ripple Labs Didn't Create XRP

9. Can Ripple create more XRP?

No. Ripple the company didn't create XRP; 100 billion XRP was created before the company was formed, and after Ripple was founded, the creators of XRP gifted a substantial amount of XRP to the company.

Sources: <https://ripple.com/insights/top-9-frequently-asked-questions-ripple-xrp/>

2018, David Schwartz, CTO: Ripple didn't create XRP



David Schwartz
@JoelKatz

Follow

Replying to @MWSharaiyra @Ripple @CoinMarketCap

Ripple didn't create XRP. The company that became Ripple was gifted XRP from the people who created it. Ripple is building a regulatory compliant payment system that can settle cross-currency payments using XRP. Whether and how that will affect the price of XRP is unknowable.

2:17 PM - 3 Jul 2018

19 Retweets 87 Likes

10 19 87

Sources: <https://twitter.com/joelkatz/status/1014196436374716416?lang=en>

2018: Ryan Zagone's Testimony to U.K. Parliament

Or, in the alternative, Ripple's testimony to Parliament (pay particularly close attention to the text in red):

“XRP is open source and it was not created by our company, so that existed as an open source technology. We created a company that was interested in modernizing payments and then began using that open-source tech to do so ... We didn't create XRP... What we do have is we do own a significant amount of XRP, it was gifted to us by some of the open-source developers that created it. But there's not a direct connection between Ripple the company and XRP.”

– Ryan Zagone, Ripple Director of Regulatory Relations

Sources: <https://prestonbyrne.com/2018/09/20/for-the-last-time-ripple-created-xrp/>

New Evidence Strongly Suggesting That Ripple Labs Created XRP

Presented In Chronological Order

2013: Simple Honey Says OpenCoin Built “Ripples”

News Room

[f](#) [t](#) [in](#) [g+](#) [p](#) | [Print Friendly](#) | [Share](#)

SOURCE: simplehoney

April 03, 2013 09:01 ET

simplehoney Acquired by Ripple Developer OpenCoin

simplehoney Team to Help Build New Ripple Virtual Currency and Payments System

SAN FRANCISCO, CA--(Marketwired - Apr 3, 2013) - Simple Honey Inc. today announced its acquisition by OpenCoin, the company building the Ripple protocol for a new virtual currency and distributed open source payment network. The simplehoney team will form the core of OpenCoin's consumer engagement team, and will focus on usability -- making all virtual currency and the Ripple network easy for people to understand and use.

"Our team shares a vision for creating simple, accessible tools that breakdown big consumer problems," said Joyce Kim, co-founder of simplehoney. "We believe that the world economy is on the cusp of a major evolution, and we want to make it easy for anyone, anywhere to be a part of that change through Ripple."

The simplehoney team has successfully launched targeted vertical applications for the travel and shopping categories. At OpenCoin, they will help build a new open source, distributed payments network and virtual currency called Ripples. Founders Joyce Kim and Eric Nakagawa and their team will join a talented OpenCoin team that includes Chris Larsen, the founder of E-LOAN and Prosper.com; Jed McCaleb, the founder of eDonkey and Bitcoin exchange Mt. Gox; and Stefan Thomas, the creator of BitcoinJS.

More information can be found at <http://blog.simplehoney.com/usability-for-all-we-are-joining-the-wave-of-change>.

Official press release of OpenCoin's acquisition of simplehoney, 2013.

Sources: <http://www.marketwired.com/press-release/simplehoney-acquired-by-ripple-developer-opencoin-1774741.htm>

2013: Ripple Labs Changes “Ripples” → “XRP”

*“The promise of Ripple” - Reuters Blog April, 2013
(Ripple UI screenshot)*

Balance	Ripples	BTC - Bitcoin	USD - US Dollar
	3,052	0.0284	13

Felix logout
3,052 XRP 13 USD

Ripple Labs Presentation at Ripple Developer Conference 2013 at Money2020

Summary

Ripple and Ripple Labs

- a distributed payments protocol
- a new currency - ripples (XRP) *
- the world's first distributed currency exchange

Chris Larsen, CEO, Ripple Labs

*https://wiki.ripple.com/Ripple_Introduction
Screenshot from April 2015*

Ripple credits

To protect the Ripple network from abuse, the network charges a tiny fee for each transa

Jed McCaleb Posting About a Ripple Giveaway on Feb, 14 2013 via forum.ripple.com

Ripple Giveaway
by jed » Thu Feb 14, 2013 6:56 pm

We are going to stop handing out ripples to random posts. But we will be starting an automated ripple give away next week. So people should

Ripple’s UI, a Ripple Labs Presentation, and Jed McCaleb referred to “XRP” as we now know it as “ripples.” Ripple’s wiki page maintained by Ripple Labs referred to the digital asset as “Ripple credits.”

2013: Ripple Labs Files for XRP Trademark

XRP - Trademark Details

Status: 700 - Registered

XRP

Serial Number	85935696
Registration Number	4458993
Word Mark	XRP
Status	700 - Registered
Status Date	2013-12-31
Filing Date	2013-05-17
Registration Number	4458993
Registration Date	2013-12-31
Mark Drawing	4000 - Standard character mark Typeset
Published for Opposition Date	2013-10-15
Attorney Name	Richard C. Gilmore
Law Office Assigned Location Code	L70
Employee Name	SHARMA, NAPOLEON K

Ripple Labs owns the XRP trademark as shown by a filing dated back in 2013, illustrating a clear relationship between the company and the digital asset.

Preston Byrne, a prominent lawyer, has written about this subject extensively.

Sources: <https://prestonbyrne.com/2018/09/20/for-the-last-time-ripple-created-xrp/>,
<https://trademarks.justia.com/859/35/xrp-85935696.html>

2013, Ripple.com: Ripple Labs Created 100 Billion XRP

The screenshot shows the Ripple.com homepage with a navigation bar at the top. Below the navigation, there's a sidebar with links like 'The Currency of the Ripple Network', 'XRP Keeps Ripple Secure', 'XRP is a Powerful Digital Currency', 'How to Get XRP', 'Buying XRP', and 'Getting Free XRP'. The main content area features a heading 'XRP is a Powerful Digital Currency' followed by several paragraphs of text. A red arrow points from the bottom left towards a specific sentence in the text, which is highlighted with a red box. The sentence reads: 'XRP is not subject to inflation. Ripple Labs created 100 billion XRP within the Ripple network, and that amount will never increase.'

live transaction feed
99.9 CNY offered for 1,148.28 XRP

Wallet

The Currency of the Ripple Network

XRP Keeps Ripple Secure

XRP is a Powerful Digital Currency

How to Get XRP

Buying XRP

Getting Free XRP

XRP is a Powerful Digital Currency

XRP is a math-based digital currency that functions as "digital cash" within the Ripple network. Like any currency, XRP has real-world value, and all Ripple users can send and receive money in XRP.

There's no third party involved. XRP transactions don't incur any fees or delays from going through a third-party institution like a bank or currency exchange.

Transactions happen instantly. The time it takes to move money within Ripple is the time it takes to update Ripple's network of servers, usually just a few seconds.

XRP is not subject to inflation. Ripple Labs created 100 billion XRP within the Ripple network, and that amount will never increase.

How to Get XRP

There are two simple ways to get XRP: you can buy XRP directly from a seller, or you can get XRP for free from Ripple Labs in one of their giveaways. [Here is a helpful guide about getting XRP.](#)

Buying XRP

You can find a list of entities that are buying and selling XRP [here](#)

Source: <https://web.archive.org/web/20140327021500/https://ripple.com/guide-to-getting-xrp-and-activating-your-ripple-account/>

2014, Ripple.com: Ripple Labs Created XRP

In Ripple.com's "What is Ripple" section from 2014, they write: "Ripple was invented and developed by a group of programmers at Ripple Labs, Inc."

Just before that, the page outlines that Ripple has three primary parts: a payment network, a distributed exchange, and a currency (XRP).

Readers are lead to believe that Ripple Labs, Inc. invented and developed Ripple, in which XRP is one of three of its primary parts.

The screenshot shows the Ripple.com homepage with a navigation bar for Individuals, Businesses, Developers, a live transaction feed, and a Wallet. The main content area features a sidebar with links like "What is Ripple?", "Who runs the Ripple protocol?", and "Ripple's three primary parts". The "Ripple's three primary parts" section contains a table:

Ripple's Three Primary Parts	Description
Payment Network	A network of financial accounts that makes transactions easy for users or businesses.
Distributed Exchange	An automated system for currency trades, that makes cross-currency payments possible.
Currency (XRP)	A currency built into Ripple, that holds value and also plays an important role in the security of the network.

A red arrow points to the "Distributed Exchange" row. Below the table, under "Who Invented Ripple?", is a red box containing the text: "Ripple was invented and developed by a group of programmers at Ripple Labs, Inc. A beta version was released in 2013 and made open source."

Source: <https://web.archive.org/web/20140327024150/https://ripple.com/guide/>

2014, Ripple.com: XRP Was Created With Protocol

About: Ripple Labs Inc.



Ripple Labs is the creator of Ripple. We developed the protocol and its distributed payment network, and we now work to support and promote its growth. Because Ripple is free and open source, we receive no cash flows from the network.

Ripple Labs hopes to make money from XRP if the world finds the Ripple network useful and broadly adopts the protocol.

100 billion XRP was created with the Ripple protocol. Ripple Labs plans to gift 55 billion XRP to charitable organizations, users, and strategic partners in the ecosystem over time. The company will retain a portion with the hope of creating a robust and liquid marketplace in order to monetize its only asset sometime in the future.

If the Ripple network grows into a vibrant, distributed payment network, Ripple Labs will have accomplished its goal, and the Ripple protocol will belong to the community as a free and open source resource.

Source: https://web.archive.org/web/20140525135859/https://ripple.com/ripple_primer.pdf - May, 2014

2014, Official Comms: Ripple Labs to the NYDFS / HM Treasury



October 21, 2014

VIA EMAIL DANA.SYRACUSE@DFS.NY.GOV

Mr. Benjamin M. Lawsky
Superintendent of Financial Services
New York Department of Financial Services
One State Street, New York, NY 10004-1511

Mr. Dana V. Syracuse
Office of General Counsel
New York State Department of Financial Services
One State Street, New York, NY 10004-1511
Email: dana.syracuse@dfs.ny.gov

Re: Comments on Proposed Rules regarding the Regulation of the Conduct of Virtual Currency Businesses – Addition of Part 200 to Title 23 NYCRR

Dear Mr. Lawsky and Mr. Syracuse:

Ripple Labs, Inc. ("Ripple Labs") submits the following comments in response to the New York Department of Financial Services' ("NYDFS") Proposed Rulemaking on the Regulation of the Conduct of Virtual Currency Businesses reflected in the notice appearing at 36 N.Y. Reg. 14 (July 23, 2014) (the "BitLicense Proposal").

Ripple Labs is the parent company that created and supports the Ripple protocol—an open-source, distributed payment protocol for accounting for financial balances held within and moved between ledgers. The Ripple protocol enables payment in any fiat or virtual currency, including the math-based virtual currency developed by Ripple Labs, XRP.



3 December 2014

VIA EMAIL DigitalCurrencies@HMTreasury.gsi.gov.uk

Digital Currencies – Call for Information
Banking & Credit Team
Floor 1, Red
HM Treasury
1 Horse Guards Road
London,
SW1A 2HQ

Sub: Digital Currencies: Call for Information

Dear Madam/Sir:

Ripple Labs, Inc. ("Ripple Labs") submits the following comments in response to your Call for Information on Digital Currencies.

Ripple Labs is the parent company that created and supports the Ripple protocol—an open-source, distributed payment protocol for accounting for financial balances held within and moved between ledgers. The Ripple protocol enables payment in any fiat or virtual currency, including the math-based virtual currency developed by Ripple Labs, XRP.

"The Ripple protocol enables payment in any fiat or virtual currency, including the math-based virtual currency developed by Ripple Labs, XRP."

2014, Ripplelabs.com: Ripple Labs Founders Created XRP

The screenshot shows the Ripple Labs website with a red arrow pointing to a specific text block. The text is highlighted with a red box and reads: "Ripple Labs' founders created 100 billion XRP at Ripple's inception. XRP is the native, math-based currency that enables the Ripple network by acting as an anti-spam mechanism and as the universal joint between cross-currency trades. Users don't need to deal in XRP on Ripple if they prefer to transact in other currencies (e.g. dollars, euro, yuan, pesos)." Below this, there is more text about the protocol's design and a note about the creators' choice regarding distribution methods.

Ripple Labs' founders created 100 billion XRP at Ripple's inception. XRP is the native, math-based currency that enables the Ripple network by acting as an anti-spam mechanism and as the universal joint between cross-currency trades. Users don't need to deal in XRP on Ripple if they prefer to transact in other currencies (e.g. dollars, euro, yuan, pesos).

Our founders created Ripple to build a more efficient distributed payment network. Bitcoin and alt-coin systems use mining to confirm transactions and create coins. Mining consumes large amounts of electrical energy, as miners compete with each other to generate coins. Ripple's method of confirmation, called consensus, doesn't need mining; therefore, it requires comparatively negligible computing power, confirmation time adapts to network latency, and transactions are immediately irreversible once confirmed.

Because Ripple's new architecture does not require mining, the creators of Ripple faced a choice: exclusively distribute XRP via mining or diversify distribution methods to include useful mining, business development, funding third-party developers, and hiring talent at Ripple Labs, the company responsible for improving upon and promoting the Ripple protocol.

Visit this page for a pulse on XRP distribution. We'll add more information over time.

72,776,697,914
Total XRP Ripple Labs Holds

7,223,302,086
Total XRP Distributed
11/30/2013

Source: <https://web.archive.org/web/20140111145421/https://wwwripplelabs.com/xrp-distribution/>

2014, Jesse Powell: XRP Created With Company Resources

Kraken CEO Jesse Powell announced his resignation from the Board of Ripple Labs in a candid post in 2014 on the /r/Ripple subreddit. Following Powell's public resignation, a lawyer for Ripple Labs sent a confidential cease and desist letter to Powell, threatening to publish its contents on Reddit if he did not retract his previous statements within three days. Unfazed, Powell posted the letter online. Below is one of Jesse's comments on the letter.

Here are the facts, George:

Jed and I got started with Ripple in September of 2011. I believe Chris joined sometime around August of 2012. Prior to Chris joining, the company had two investors. I'm not sure when Jed and Chris allocated themselves the XRP but they say it was before incorporation, which occurred in September of 2012. In my view, the two stole company assets when they took the XRP without approval of the early investors, and without sharing the allocation amongst the other shareholders. Whatever coin they allocated themselves prior to incorporation of Opencoin, Inc., I believe was abandoned. There had been several ledger resets between Sep 2012 and Dec 2012, and a new version of Ripple emerged, built by Opencoin, Inc., clearly with company resources. If Jed and Chris have continued to run the old software to preserve their Betacoin, I have no problem. Unfortunately, Jed and Chris again allocated themselves XRP in December of 2012. That XRP unquestionably was not gifted by Jed and Chris to the company, it did not exist prior to the company's existence, and it was generated with company resources. That XRP has always belonged to the company and it was taken from the company by Jed and Chris. I'm asking them to return what they've stolen.



Jed and Chris already have a huge stake in the company itself. It's entirely unnecessary for them to also have a side stake in XRP, which presents a conflict of interest, and a number of serious and debilitating problems for the company.

Source: https://docs.google.com/file/d/0B_ECG6JRZs-7TkdBaE5wQkxKR2s/edit

2015, Jed McCaleb: Ripple Labs Developed XRP

Below is a quote filed by Jed McCaleb's attorneys in the Britto v. McCaleb lawsuit from 2015. Jed McCaleb is a founder of Ripple Labs and gave himself 9B of XRP, or 9% of total XRP, at network launch.

INTRODUCTION

This case involves a contractual dispute between two of the co-founders of a company, now called Ripple Labs -- plaintiff Arthur Britto ("plaintiff") and defendant Jed McCaleb ("McCaleb") -- concerning the interpretation of an agreement between them. This agreement, called the Founders Agreement, concerns a "virtual currency," called Ripples or XRPs, for which Ripple Labs developed and maintains the software platform.

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT DEMURRER TO PLAINTIFFS FIRST CAUSE OF ACTION (TRANSACTION ID # 15113151) FILED BY DEFENDANT MCCALEB, JED AN INDIVIDUAL AND AUTHORITIES IN SUPPORT DEMURRER TO PLAINTIFFS FIRST CAUSE OF ACTION (TRANSACTION ID # 15113151) FILED BY DEFENDANT MCCALEB, JED AN INDIVIDUAL -
<https://webapps.sftc.org/ci/CaseInfo.dll?CaseNum=CGC15544133&SessionID=17B16B6FFC00E75517A5DEC0FCE263ADE8D762CF>

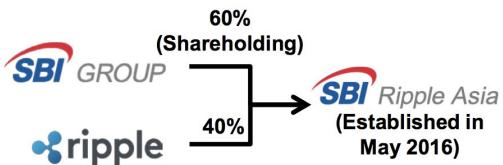
2016, SBI: Ripple Labs “Issues and Runs XRP”

*“In addition to being the digital currency forerunner that **issues and runs XRP**, a digital currency trailing only bitcoin in popularity, **Ripple** is a developer and provider of Ripple Connect”*



May 19, 2016
SBI Holdings, Inc.

Ripple is a 40% shareholder in the SBI Ripple Asia partnership



Establishment of SBI Ripple Asia as a Provider of a Next-Generation Settlement Platform Based on Block Chain Technology

SBI Holdings, Inc. (hereinafter the “Company”), hereby announces that the Company has established SBI Ripple Asia. This new company will be a service provider for customers in Asia including Japan, and it has been established jointly with Ripple Labs Inc. (Head office: San Francisco, USA; CEO: Chris Larsen; hereinafter “Ripple”), a developer and provider of a next-generation settlement platform based on block chain technology. We also announce that the new company has become operational.

Ripple, chosen for the Fintech 50 list by *Forbes*, a prominent business magazine in the world, is one of the leading venture capital companies in the FinTech field. Under the concept of an “Internet of Value,” Ripple pursues innovation in currency services and financial systems. In addition to being the digital currency forerunner that issues and runs XRP, a digital currency trailing only bitcoin in popularity, Ripple is a developer and provider of Ripple Connect for major foreign financial institutions. This latter product is an innovative next-generation settlement platform utilizing block chain technology, a base technology for digital currency transactions.

Sources: https://www.sbigroup.co.jp/english/news/pdf/2016/0519_a_en.pdf ;
<http://www.sbigroup.co.jp/english/investors/disclosure/presentation/pdf/180307presentations.pdf>

*note that, according to this press release, Ripple Labs is a 40% shareholder in the SBI Ripple Asia joint partnership

2016, SBI Holdings: Ripple Labs Issues Virtual Currency XRP



[Outline of Ripple Labs Inc.]

Business : Developing and providing settlement platform “Ripple Connect” and issuing virtual currency “XRP”

Head office : 300 Montgomery St, San Francisco, CA 94104

Representative : Chris Larsen, CEO

Establishment : September 2012

URL : <https://ripple.com/>

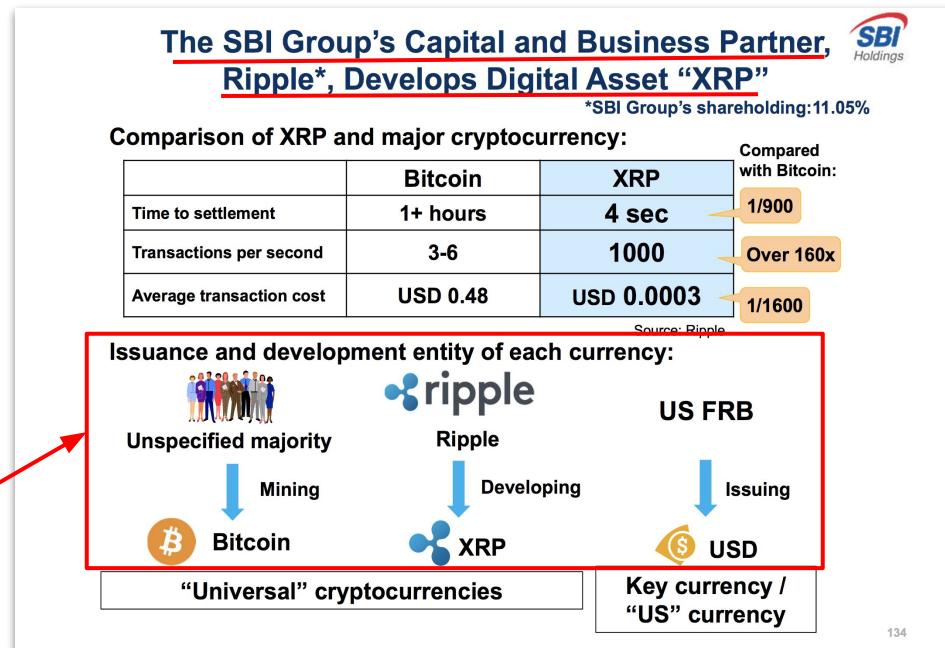
For further information, please contact:

SBI Holdings, Inc. Corporate Communications Dept., Tel: +81 3 6229-0126

Sources: https://web.archive.org/web/20160801055502/http://www.sbigroup.co.jp/english/news/pdf/2016/0129_b_en.pdf

2017, SBI: Ripple is “Development Entity” of XRP

When referring to the “Issuance and development entity of each currency,” SBI Group, which is an 11.05% shareholder in Ripple, mentions that an unspecified majority mines BTC, but Ripple [Labs] develops digital asset “XRP”.



2017, SBI: Ripple Labs “Operates and Controls” XRP

		Public (Open network participation)		Permissioned (Permissioned network participation, with groups forming consortia)				
		No specific management entity		There is a specific entity to participate aggressively in development and management				
		Bitcoin	Ethereum	XRP Ledger	ILP	Hyperledger	R3 (Corda)	EEA
General outline		<ul style="list-style-type: none">Developed by Satoshi NakamotoTargeted at transactions independent of governments and central banks	<ul style="list-style-type: none">A platform for executing smart contractsUse of the virtual currency ETH in transactions	<ul style="list-style-type: none">A network for distributing XRP, a virtual currency operated and controlled by Ripple	<ul style="list-style-type: none">Protocol for connecting ledgers developed for international payments	<ul style="list-style-type: none">Development of distributed ledger tech for commercial useMultiple projects exist, such as Fabric and Iroha.	<ul style="list-style-type: none">Dedicated distributed ledger platform for financial transactions	<ul style="list-style-type: none">Ethereum, specifically for corporate use
Main users		<ul style="list-style-type: none">Virtual currency exchangesSettlement and payment firms	<ul style="list-style-type: none">Virtual currency exchangesICO service providers	<ul style="list-style-type: none">Virtual currency exchangesGateway	<ul style="list-style-type: none">More than 75 financial institutions around the world	<ul style="list-style-type: none">Consortium of companies that use Hyperledger software	<ul style="list-style-type: none">More than 80 financial institutions around the world	<ul style="list-style-type: none">Consortium of companies for the purpose of EEA use
Main form of use		<ul style="list-style-type: none">Virtual currency transactions using BitcoinUse for settlement at retailers	<ul style="list-style-type: none">ETH transactionsICO and DAO platforms	<ul style="list-style-type: none">Payments using the virtual currency XRP	<ul style="list-style-type: none">Ripple Solution (payments between banks that have introduced the software)	<ul style="list-style-type: none">Envisioned use for specific projects, such as finance, manufacturing, and real estate	<ul style="list-style-type: none">Financial transactions in general, such as trade finance and derivatives	<ul style="list-style-type: none">To be decided



81

If Ripple Labs Created XRP,
Is XRP a Security?

Ripple Labs Claims That XRP is Not a Security

2018: Ripple Asserts Separation btw. Equity & XRP



Ripple CEO: It's very clear XRP is not a security

6:48 AM ET Mon, 4 June 2018

Brad Garlinghouse responds to a lawsuit alleging that Ripple's cryptocurrency violated U.S. securities law.

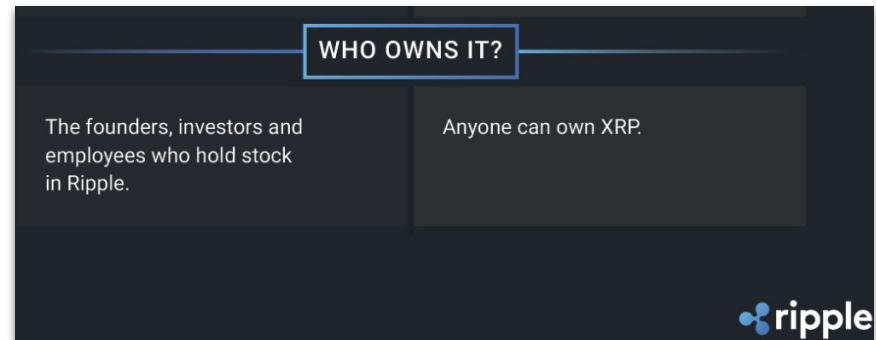


WATCH CNBC LIVE TV



“From an ownership point of view, owning XRP doesn’t give you any ownership of Ripple equity. And, ultimately as we just talked about, XRP has a lot of utility.”

- Brad Garlinghouse, Ripple CEO at CNBC Money 20/20



Ripple Labs points out in their “The Difference Between Ripple and XRP” blog post that founders, investors and employees who hold stock in Ripple own equity in the company (security by law), not XRP token holders.

Sources: <https://www.cnbc.com/video/2018/06/04/ripple-ceo-its-very-clear-xrp-is-not-a-security.html>
<https://ripple.com/insights/difference-ripple-xrp/>

2018, Cory Johnson: “We absolutely are not a security”

CNBC MARKETS BUSINESS NEWS INVESTING TECH POLITICS CNBC TV

Ripple says its cryptocurrency XRP is not a security

- The blockchain start-up Ripple's cryptocurrency is not a security, one of its top executives told CNBC on Wednesday.
- "We absolutely are not a security. We don't meet the standards for what a security is based on the history of court law," Ripple's chief market strategist, Cory Johnson, told CNBC in an interview.
- The cryptocurrency's price has reacted positively to speculation that it might be added to Coinbase but is down more than 75 percent this year.

Kate Rooney | @KrOOney
Published 12:27 PM ET Thu, 12 April 2018 | Updated 1:02 PM ET Thu, 12 April 2018
CNBC



Michael Kovac | Getty Images

Sources: <https://www.cnbc.com/2018/04/12/ripple-says-its-cryptocurrency-xrp-is-not-a-security.html>

2018, Garlinghouse: 3 Reasons XRP Is Not A Security

Now Ripple CEO [Brad Garlinghouse](#) is making his case for why XRP should get the same treatment as bitcoin and ether. Speaking on Thursday at the CB Insights Future of Fintech conference in New York City, [live-streamed by Yahoo Finance](#), Garlinghouse presented “three key arguments” for why XRP is not a security.

As a quick refresher: Ripple is a private software company that sells products to banks and remittance firms that help them send and settle cross-border payments faster. XRP is a digital token that Ripple, the company, uses in one of its products for banks, xRapid, but does not use in its most popular product, xCurrent. [Ripple and XRP are separate things](#), but they are constantly confused and conflated by cryptocurrency speculators and by the media—it doesn’t help matters that Ripple owns 60% of the supply of XRP tokens.

Here are Garlinghouse’s three arguments.

1. “If Ripple the company shut down tomorrow, the XRP ledger would continue to operate. It’s open-source, decentralized technology that exists independent of Ripple.”
2. “The people buying XRP, they don’t think they’re buying shares of Ripple. There’s a company called Ripple, we are a private company, we have investors... but buying XRP doesn’t give you ownership of Ripple, it doesn’t give you access to dividends or profits that come from Ripple.”
3. “XRP is solving a problem. There’s no utility in a security.”

Sources: <https://finance.yahoo.com/news/ripple-ceo-3-reasons-xrp-token-not-security-181455786.html>

Background on the Howey Test

Background on the Howey Test

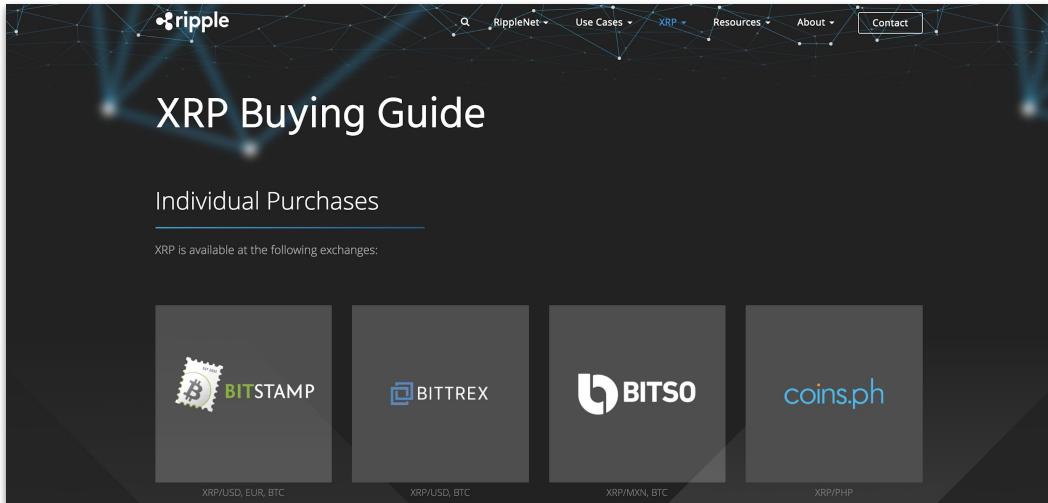
Refers to a 1946 case which reached the Supreme Court, SEC v. W.J. Howey Co., a lawsuit involving the Howey Company. The company was a citrus farm which operated on a large swath of land in Florida.

Purchasers of the Howey land, who themselves had none of the "knowledge, skill, and equipment necessary for the care and cultivation of citrus trees," were speculators. They purchased the land based on the assumption that it would generate a profit for them as a result of the efforts of someone else. The case ended up being a securities contract, and Howey Co. had violated the law.

Howey Test Specification

1. It is an investment of money
2. There is an expectation of profits from the investment
3. The investment of money is in a common enterprise
4. Any profit comes from the efforts of a promoter or third party

It is an Investment of Money



Sources: <https://ripple.com/xrp/buy-xrp/>

Per ripple.com, individuals can purchase XRP on various cryptoasset exchanges with either fiat currency or cryptoassets. Investments of both fiat currency and cryptoassets meet the first prong of Howey.

It is an Investment of Money

Apr. 2015: Ripple Market Maker Whitepaper

Section 5

XRP: The Native Currency of the Ripple Network

XRP (sometimes pronounced "ripples") is the native currency of the Ripple network. Unlike dollars or euros, XRP is a *natively digital* asset, and it exists only within Ripple. 100 billion units of XRP were programmed into the Ripple ledger, and no more can ever be created according to the Ripple protocol's rules.

XRP is the only currency within Ripple that is an asset. Every other currency within Ripple exists as a balance, which means it is some gateway's *liability*. **This asset versus liability distinction is one of the revolutionary characteristics of math based currency.**

Because XRP is an asset and not a liability, users can exchange value in XRP without agreeing to take a third party's counterparty risk, as they must do in order to transfer USD balances.

XRP trades freely against other currencies within the network, just like EUR trades freely against USD. There is a fluctuating market price for XRP in dollars, euros, pounds, bitcoins, etc. Prices are driven by supply and demand.

Like gold or paper dollars, XRP has no intrinsic value — it is only worth what someone else is willing to pay for it.

Sources: https://web.archive.org/web/20150422095016/https://ripple.com/files/ripple_mm.pdf

There is an Expectation of Profits From the Investment

Ripple Labs Chief Technology Officer, David Schwartz, acknowledges that anyone who holds XRP is interested in seeing the price appreciate over the long term, including Ripple Labs and those who Ripple Labs contractually prohibits from dumping XRP on the market.

 **JoelKatz**
Legendary


Activity: 1582
Merit: 1004

 Democracy is vulnerable to a 51% attack.

 I am an employee of Ripple. Follow me on Twitter @JoelKatz
1Joe1Katzc1rFcsr9HH7SLuHvnDy2aihZ BM-NBM3FRExVJSJjamV9ccgyWvQfratUHgN

#52

 **Re: Why the world needs Ripple XRP - Whitepaper**
January 21, 2017, 04:17:54 AM

I interpret "dumping" to mean selling on the open market. Yes, we absolutely do sometimes put large amounts of XRP into circulation. For example, as a result of a partnership deal, a partner might receive several hundred million XRP. There's always some agreement about how they will use that XRP and clauses that prevent them from dumping it.

Obviously, this can have a negative effect on the price of XRP. But we only do it when we believe the value of the partnership justifies the cost. Anyone who holds XRP, particularly those who are contractually prohibited from dumping it, shares our interest in seeing the price appreciate over the long term.

"Obviously, this can have a negative effect on the price of XRP. But we only do it when we believe the value of the partnership justifies the cost. Anyone who holds XRP, particularly those who are contractually prohibited from dumping it, shares our interest in seeing the price appreciate over the long term." - David Schwartz, CTO at Ripple

Sources: <https://bitcointalk.org/index.php?topic=1752760.msg17571413#msg17571413>

There is an Expectation of Profits From the Investment

“Ripple Labs plans to retain 25% of all XRP issued to fund operations (and hopefully turn a profit) and distribute the rest to incent the participation of market makers, gateways, and consumers to utilize the protocol.”

Ripple Labs: Overview

An Overview of Ripple Labs

Ripple Protocol and focuses on three primary areas

“Given that there is a finite number of XRP, as demand for XRP grows, the value of XRP should appreciate. In this manner, Ripple Labs believe that its incentives are aligned with those of protocol’s users”.

Ripple Labs has raised capital from some of the leading venture capital and technology firms, including Google Ventures, Andreessen Horowitz, LightSpeed Venture Partners, IDG Capital Partners, and Founder Fund. In addition, Ripple Labs continues to attract a diverse set of talented individuals with experience in relevant technology and financial services companies, including Apple, Google, Square, Twitter, e-Loan, Fiserv, Promonton Financial Group, Goldman Sachs, and the U.S. Federal Reserve.

Historically, information protocols, like HTTP and SMTP, were impossible to monetize directly. Ripple Labs is not a financial services provider and thus does not charge for using the network. The Ripple protocol, however, could in fact be monetized through its native currency, XRP. By design, 100 billion units of XRP were created at Ripple's inception, and per the protocol rules, no more XRP can ever be created.

Ripple Labs plans to retain 25% of all XRP issued to fund operations (and hopefully turn a profit) and distribute the rest to incent the participation of market makers, gateways, and consumers to utilize the protocol. Given that there is a finite number of XRP, as demand for XRP grows, the value of XRP should appreciate. In this manner, Ripple Labs believe that its incentives are aligned with those of protocol's users – both want the protocol to reach its full potential and scale.

Sources: <https://assets.ctfassets.net/sdlntm3tthp6/resource-asset-r372/c53076ab408af8495f928018a8e2e0d9/aa9579ea-c54d-40cb-91e1-c38947b44d4c.pdf>

There is an Expectation of Profits From the Investment

JoelKatz

Advanced
•••



Ripple Employee
7,615
847 posts

Posted May 25, 2017

Report post



Here's how I've been explaining it recently:

- 1) There's a business that Ripple has providing transaction processing software to banks. It can work without XRP and without any blockchain tech. It improves international payments because it uses end to end messaging to track payment progress, ensure all necessary compliance information is in the transaction in the first place, precisely knows the fees ahead of time, and provides prompt, reliable confirmation of delivery. This is a big enough improvement that banks will use it even if the actual money moves the same way it does now.
- 2) Ripple has built a public blockchain with a native asset. It has various nice features – a distributed exchange, good governance, fast transactions, high transaction volume, native multisign, key rotation, payment channels, and so on.
- 3) The hard part about getting banks to use a blockchain isn't the blockchain, it's everything else. It's governance, compliance, integration with banking systems, and so on. Our software does all that stuff, so if routing a payment through XRP is a penny cheaper, the bank can take it. Then we have to make XRP cheaper somewhere that matters.
- 4) We don't target the biggest corridors like USD->EUR because they're efficient. We target an inefficient, but fairly high volume, corridor. For example, EUR->INR. Market makers have very small profit margins, so even a small incentive to place good EUR->XRP and XRP->INR offers can beat what banks are getting now through the correspondent banking system.
- 5) Once we get one corridor, we hang other countries off each end of the corridor, expanding the reach of XRP.
- 6) Now, say you're a company like Seagate that pays out money all over the globe. If you have to make payments to five countries in our corridors, you'd rather hold one pile of XRP than five piles of different currencies. That increases demand.
- 7) Now, say you're a company like Apple with a huge pile of cash. If you want to snap up other assets cheap, you'll need to hold the asset the people selling want. If they're going into any of our corridors, they'll want XRP, so you would want to hold it.
- 8) If that succeeds, it could increase the price of XRP.
- 9) Ripple holds a huge pile of XRP and will be the dominant XRP holder for the foreseeable future. But we're primarily VC financed and we get revenue from selling software to banks. We don't use our XRP as a bank account but as a strategic weapon. (Though we do sell some for revenue, we just don't need to for salaries or to keep the lights on.)
- 10) Anyone who gets XRP from us as part of some deal with a lockup has their incentives aligned with ours. They want the long-term price of XRP to go up too.

The Investment of Money Is In A Common Enterprise

Nov. 2014: “The Ripple Protocol: A Deep Dive for Finance Professionals”

The Role of XRP

XRP is the native currency of the Ripple protocol. It is a digital asset, like Bitcoin, though most users of Ripple will continue to use their existing local currencies. XRP plays a security function and assists with liquidity providing on the network. Over time, if the Ripple protocol becomes widely adopted, demand for XRP may increase, leading to an increase in price. Unlike information protocols like HTTP or SMTP, investors can directly own a stake in Ripple, the value transport layer of the Internet.

Distributed Systems: The Future of Finance

Most of the world's payment systems still operate on infrastructure that was designed in the 1950s – 1970s. Recent technological innovations have made it possible to clear and settle transactions without involving a third party agent. This has opened the door to move finance to a post-Internet, distributed architecture. Incumbent players broadly acknowledge the inefficiencies in the current payments process and seek a solution. Ripple provides a free, neutral, and global solution to move payments into the Internet age.

Per Ripple's own documentation, XRP “*investors can directly own a stake in Ripple, the value transport layer of the Internet.*” The common enterprise is Ripple Labs, which created, developed, and maintained the Ripple protocol. Note that this quote also implies expectation of profits, as outlined by SEC director William Hinman.

The Investment of Money Is In A Common Enterprise

JoelKatz
Advanced
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Posted June 3, 2016

I don't think it's likely XRP would succeed without us, though it's possible. I do think it's possible for us to succeed without XRP succeeding, as we do have other sources of revenue.

That said, our XRP is a significant asset. Today, there are significant technical obstacles to using XRP as a bridge or vehicle currency. However, every ILP transaction is one with no significant technical obstacles to using XRP as a bridging currency. Our XRP strategy is based on promoting it as a bridging currency in an ILP world through various strategies including paying traders an incentive to keep spreads low.

This strategy actually works even if ILP fails, so long as ILP fails because something else does the same job ILP does that can also support XRP bridging. We don't need ILP specifically to succeed, we just need a good way to make inter-ledger payments. If someone made a superior interledger payment scheme, we'd just adopt that instead.

We've made the case for why we think a vehicle currency is extremely useful, why we think a crypto-currency has a good chance of being a top vehicle currency, and why we think XRP will be the best crypto-currency for this application. We do not plan to encourage use of XRP as an alternative to Bitcoin or as a direct payment method at this time, though if its demand and price becomes strong and stable in the future, that might make sense. It seems like a better strategy to grow the crypto-currency pie than to pick a fight with a strong player for a bigger slice of it.

We cannot do everything, so we have to pick those things that we think we are in the best position to do and that have the best chance at success.

Sources: <https://web.archive.org/web/20160726210937/https://www.xrpchat.com/topic/1512-if-ripple-failed-xrp-died/>

"I don't think it's likely XRP would succeed without us [Ripple Labs], though it's possible. I do think it's possible for us to succeed without XRP succeeding, as we do have other sources of revenue."

- David Schwartz: June 3, 2016 on XRPChat forum.

The Investment of Money Is In A Common Enterprise

Posted by u/PR173746 11 months ago

55 XRP Will Go to 0 Because...

77 Comments Share Save Give Gold ...

This thread is archived
New comments cannot be posted and votes cannot be cast

SORT BY BEST (SUGGESTED) ▾

sjoelkatz 8 points · 11 months ago

I'll tell you what I think the biggest risks are:

1. Someone else does almost exactly the same thing Ripple does, but does it better. This is mitigated by the fact that Ripple has such talented people and has a lead. But you never know.
2. Unfavorable regulatory changes make Ripple's business model impractical. Perhaps some regulators deem XRP to be a security and therefore only salable to sophisticated investors or something like that. This is mitigated by the fact that Ripple can target friendlier jurisdictions, but losing big ones would be damaging.
3. Some serious technical problem is found in the XRP ledger system and neither Ripple or anyone else is able to fix it. This seems unlikely to me, but again, you never know.
4. Some horrible personal or business scandal affects key Ripple people such as Chris Larsen or Brad Garlinghouse or the company itself and the company becomes too toxic for FIs to do business with. Again, I don't think this is likely, but you never know.
5. Someone comes up with a better way to bridge international payments than using a digital asset and Ripple is unable to position XRP for another use case and abandons XRP. I don't know of any better way, but as with the others, you never know.

Share Report Save Give gold

When responding to what could cause the price of XRP to go to \$0, David Schwartz mentions 5 large risks, all related to Ripple Labs. This shows that the price of XRP is undoubtedly tied to Ripple Labs' operations, development and strategy.

Any profit comes from the efforts of a promoter or third party

If we distribute XRP with these goals in mind, over time we expect to see an increase in demand for XRP that more than offsets the additional supply we inject into the market. Said another way, we will engage in distribution strategies that we expect will result in a stable or strengthening XRP exchange rate against other currencies.

— Citation from ripplelabs.com , October 2014

<https://web.archive.org/web/20141017153508/https://www.ripplelabs.com/xrp-distribution/>

Ripple Labs admits that they engage in strategies that result in “a stable or strengthening XRP exchange rate against other currencies.” This means they work diligently to increase XRP’s price.

Any profit comes from the efforts of a promoter or third party

“If someone's offering an instrument for money or other consideration to a third party, and that third party expects the offerer to generate a return or so something that will increase the value of the coin or token or whatever they want to call it, and there's that expectation of return, we're generally going to see that as a securities offering” - William Hinman, SEC

 **Re: Ripple: Why XRP are superior to Bitcoins**
May 12, 2013, 06:35:58 PM

Quote from: mmeijeri on May 12, 2013, 06:03:30 PM
But you do intend XRP to become a real currency, not just some sort of stamp, don't you?

As a corporation, we are legally obligated to maximize shareholder value. With our current business model, that means acting to increase the value and liquidity of XRP. We believe this will happen if the Ripple network is widely adopted as a payment system. We are pursuing multiple avenues at once. One would expect increased demand to increase price.

JoelKatz
Legendary

Activity: 1582
Merit: 1004

Democracy is vulnerable to a 51% attack

“As a corporation, we are legally obligated to maximize shareholder value. With our current business model, that means acting to increase the value and liquidity of XRP. We believe this will happen if the Ripple network is widely adopted as a payment system. We are pursuing multiple avenues at once. One would expect increased demand to increase price.” - David Schwartz, CTO at Ripple

Any profit comes from the efforts of a promoter or third party

 **JoelKatz**
Advanced
•••

Posted December 20, 2017

Report post  

There are a few technical errors, but I think the key thing is to look at his thesis.

He seems to concede that Ripple is building a better payments system that banks will use. That will mean huge volumes of payments on the network. And he doesn't see any technical obstacles to XRP being used as an intermediary asset.

Nevertheless, he's arguing that despite being able to build massive payments volume, having influence over almost every aspect of the system, with a phenomenal team, a warchest with a notional value in the tens of billions, and every incentive to make it happen, we still won't be able to get XRP to be used as a settlement asset. Why? Because it will magically happen for BTC all by itself.

[+ Quote](#)

 41  10  10 

charmaser, LeGonze, Tull and 58 others reacted to this

Sources: <https://www.xrpchat.com/topic/14047-forbes-the-bear-case-for-xrp/?page=3&tab=comments#comment-149608>

Any profit comes from the efforts of a promoter or third party

Market Risk: Ripple Labs holds a substantial amount of XRP, which it sells from time to time, to financial institutions and entities seeking to be market makers. Through these sales, Ripple Labs is able to monetize these assets to fund its operations, specifically the development and adoption of the protocol.

This exposes Ripple Labs to the market risk of XRP's value. Ripple Labs has taken numerous steps to identify, monitor and mitigate sources of market risk. Ripple Labs has established legally-binding agreements with insiders and owners of large amounts of XRP that protect against a large scale sell off of the asset. Ripple Labs has tracking tools that ensure these participants abide by the agreements.

— Citation from Ripple Labs Submission to the Conference of State Bank Supervisors, 2015-02-14
https://ripple.com/files/r1_csbs_letter.pdf

Ripple Labs uses XRP to fund operations, including developing and driving adoption of the Ripple protocol. To protect against XRP price risk, Ripple Labs also uses legally-binding agreements and escrow functionality to protect against large sell offs of XRP tokens.

Any profit comes from the efforts of a promoter or third party



Quote starts at 24:00

“Ripple Labs, because we don't have the need to reimburse validators, started off with the biggest chunk of XRP and one of our key roles is making sure that we distribute it as broadly in a way that adds as much utility and liquidity as we possibly can. I think our incentives are very well aligned, you know, that for Ripple Labs to do well we have to do a very good job in protecting the value of XRP and the value of the network, and that really is the guiding principle here in our distribution of XRP.” - Chris Larsen

Source — https://www.youtube.com/watch?v=_SpdX36p6ao

Any profit comes from the efforts of a promoter or third party

JoelKatz
Advanced
•••

Ripple Employee
7,615 posts
847 posts

Posted May 5, 2016 Report post

On 5/5/2016 at 6:22 PM, Morty said:

@JoelKatz what does Ripple actually sell? How do you guys make money? Is it XRP?

Ripple's revenue prospects fall into two categories. One category is products and services related to ILP and RCL such as Ripple Connect. The other category is increasing the value of XRP such as by making it competitive as a vehicle currency.

https://ripple.com/knowledge_center/ripple-connect-product-overview/

https://ripple.com/files/ripple_vision.pdf

— Citation from xrpchat.com <https://www.xrpchat.com/topic/1385-chain/?page=2&tab=comments#comment-12565>

Ripple Labs Revenue Model Consists of Increasing Value of XRP

Any profit comes from the efforts of a promoter or third party

JoelKatz

Advanced



Ripple Employee

+ 7,605

847 posts

Posted January 20, 2017



Of course, you can just as easily bridge or autobridge with bitcoins or even dollars. So XRP will have to compete on a reasonably level playing field. XRP will have a few possible advantages. First, it's being nearly exclusively pitched and promoted for this purpose. Ripple will try to make specifically this kind of thing happen. Second, it's reasonably neutral jurisdictionally, that is, it isn't directly controlled by any particular government. Everyone who uses it just has to follow the rules that apply to the jurisdictions they operate in. Third, it will be almost free of counterparty risk and backed by a public ledger that will have premiere ILP interoperability, payment channels, and so on.



Quote



23



3



viking3, Montoya, KarmaCoverage and 23 others reacted to this

JoelKatz

Advanced



Ripple Employee

+ 7,615

847 posts

Posted January 20, 2017

Report post



On 1/20/2017 at 3:42 PM, Morty said:



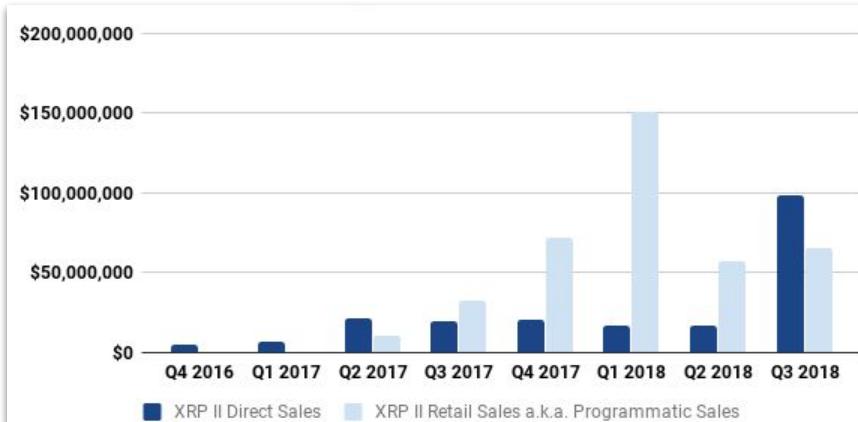
A lot of exchanges have ETH/BTC markets with plenty of liquidity. How will XRP be more competitive?

That's the challenge for us. We will have to compete in a fairly level playing field. We could wind up building an awesome payments infrastructure and XRP could still lose out to other assets. One big advantage we have – we control a lot of XRP and we're heavily focused on promoting it in this specific way. Nobody has this kind of focused interest on promoting bitcoin in this way. We have several strategies, some we've disclosed and some we haven't, but I think it's fair to say it's a bit of a long shot.

Sources: <https://www.xrpchat.com/topic/2808-exchanges-with-xrp-autobridging-aka-im-not-going-to-spill-the-beans-just-yet/?tab=comments#comment-25722>

Any profit comes from the efforts of a promoter or third party

XRP II: Institutional & Retail Sales



Over the past 2 years, XRP II, LLC - Ripple Labs, Inc.'s licensed money services business subsidiary - has sold over \$230 million of XRP to private institutions and over \$387 million of XRP in the public markets programmatically to retail investors → **raising \$617 million in investment capital.**

Source: <https://ripple.com/insights/q4-2016-xrp-markets-report/> <https://ripple.com/insights/q1-2017-xrp-markets-report/> <https://ripple.com/insights/q2-2017-xrp-markets-report/>
<https://ripple.com/insights/q3-2017-xrp-markets-report/> <https://ripple.com/insights/q4-2017-xrp-markets-report/> <https://ripple.com/insights/q1-2018-xrp-markets-report/>
<https://ripple.com/insights/q2-2018-xrp-markets-report/> <https://ripple.com/insights/q3-2018-xrp-markets-report/>

To Summarize, XRP is a Textbook Case of Howey Test

- 1. It is an investment of money**
 - a. XRP investors use fiat and other cryptocurrencies to purchase XRP. Investments of both fiat currency and cryptoassets meets the first prong of Howey.
- 2. There is an expectation of profits from the investment**
 - a. As Ripple's Chief Technology Officer, David Schwartz, admits, "Anyone who holds XRP, particularly those who are contractually prohibited from dumping it, shares our interest in seeing the price appreciate over the long term". Moreover, David says: "Anyone who gets XRP from us as part of some deal with a lockup has their incentives aligned with ours. They want the long-term price of XRP to go up too."
- 3. The investment of money is in a common enterprise**
 - a. Ripple Labs' own documentation states: "Over time, if the Ripple protocol becomes widely adopted, demand for XRP may increase, leading to an increase in price. Unlike information protocols like HTTP or SMTP, investors can directly own a stake in Ripple, the value transport layer of the Internet." The common enterprise is Ripple Labs, which created, developed, maintains, and promotes the Ripple Protocol. David Schwartz also admits that XRP is unlikely to succeed without Ripple Labs, implying Ripple Labs - a common enterprise - is in control of whether or not XRP investors will earn a return on their investment.
- 4. Any profits come from the effort of a promoter or third party**
 - a. Ripple Labs has openly stated that their distribution of XRP is intended to lead to a strengthening exchange rate of XRP against other currencies. Moreover, according to Ripple Labs' capital raising / revenue model, they are legally obligated to maximize shareholder value: "With our current business model, that means acting to increase the value and liquidity of XRP." - David Schwartz, CTO at Ripple.

SEC Ruling On Paragon Draws Comparison To Ripple Labs and XRP

Paragon Received Cease-and-Desist Order From SEC

42. PRG token purchasers had a reasonable expectation of profits from their investment in the Paragon enterprise. Purchasers had a reasonable expectation that they would obtain a future profit from buying PRG tokens if Paragon were successful in its entrepreneurial and managerial efforts to develop its business. Paragon primed purchasers' reasonable expectations of profit through statements on internet forums, blogs, e-mails and social media. The proceeds of the PRG token offering were intended to be used by Paragon to build an "ecosystem" that would create demand for PRG tokens and make PRG tokens more valuable. Paragon stated its plans to build the "ecosystem" around PRG tokens, including all 5 of its planned business segments, purchase and renovate real estate for ParagonSpaces, pursue the listing of PRG on secondary trading platforms,

8

"develop[], operate[] and maintain[]" the Coin Paragon platform, control and increase the value of PRG tokens through its deflation algorithm, Controlled Reserve Fund and token "burning," among other things. The investors reasonably expected they would profit from any rise in the value of PRG tokens created by these efforts. In addition, Paragon highlighted that it would ensure a secondary trading market for PRG tokens would be available shortly after the completion of the offering and prior to the creation of the "ecosystem."

Sources: <https://www.sec.gov/litigation/admin/2018/33-10574.pdf>

Paragon Scrutiny Draws Meaningful Comparison to Ripple

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1. As exhibited earlier in the presentation, Ripple acknowledges they developed, operate and maintain the Ripple network and Ripple Transaction Protocol, similar to Paragon, whose job was to "develop, operate and maintain the Coin Paragon platform"
2. Ripple has escrowed 55 billion XRP, similar to Paragon's Controlled Reserve Fund, that allows them to control the outstanding supply of XRP, and thus the price of XRP (slide 50)

Sources: <https://www.sec.gov/litigation/admin/2018/33-10574.pdf>

Paragon Scrutiny Draws Meaningful Comparison to Ripple

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1. Ripple Labs utilizes its investment capital, raised from public market sales of XRP, to build the XRP ecosystem, thus creating demand for XRP tokens in an attempt to make them more valuable (slide 53)
2. As displayed on the following slide (55), one of Ripple's top priorities is getting XRP listed on digital asset exchanges. In the SEC's written language, Paragon "pursued the listing of PRG on secondary trading platforms" and "would ensure a secondary trading market for PRG tokens".

Sources: <https://www.sec.gov/litigation/admin/2018/33-10574.pdf>;

<https://www.bloomberg.com/news/articles/2018-04-04/ripple-is-said-to-struggle-to-buy-u-s-listing-for-popular-coin>

Ripple Labs: Top Priority Getting XRP Listed On Crypto Exchanges

The market is taking notice of XRP's speed, reliability and scalability — which has strengthened the demand for XRP and where it's listed. In fact, we're proud to announce that XRP has gone from being listed on six exchanges earlier this year to more than 50 worldwide.

The increased demand for XRP speaks to the market's understanding of the need for a fast and scalable asset that serves as a reliable liquidity tool for financial institutions through the product [xRapid](#).

To serve that role in cross-border flows, XRP needs deep liquidity across fiat currencies. In support of that goal and healthy XRP markets, it's a top priority for Ripple to have XRP listed on top digital asset exchanges, making it broadly accessible worldwide. Ripple has dedicated resources to the initiative so you can expect ongoing progress.

[List XRP](#)

Learn more about how to list XRP on your exchange

[Contact Us](#)

Resources Regulators Support

Sources: <https://ripple.com/insights/xrp-now-available-on-50-exchanges-worldwide/>
<https://ripple.com/use-cases/digital-asset-exchanges/>