



Liquidity Provisioning on Ripple

RippleNet is designed to offer banks the ultimate flexibility to optimize the provisioning of liquidity for transaction banking. Given the use case, corridor and liquidity costs, banks can choose between a number (or a combination) of liquidity arrangements to optimize for costs, risks and capital efficiency. RippleNet is designed to support three different liquidity arrangements between financial institutions. At the network level, RippleNet is designed to interoperate across different liquidity arrangements through the pathfinding functionality.

Bank-to-bank Fiat Currency Relationship

A fiat currency relationship involves one bank holding a liquidity position with another bank and using that liquidity position to facilitate payments between the two. This makes one of the banks the asset-holder (a nostro account holder) and the other bank a liability-issuer (a vostro account issuer). This arrangement can be used with either pre-funded positive balances or credit positions. This liquidity arrangement enables one of the banks (the holder of the nostro account) to earn FX revenues, making it ideal to be used for high-volume corridors.



Third-party Liquidity Provisioning

A third-party liquidity arrangement allows both transacting banks to authorize a third-party institution to provide the FX liquidity for delivery of payments. This third-party institution can be a payment provider that holds accounts with both transacting banks and provides the FX for the transaction. This liquidity arrangement gives banks instant reach into multiple corridors through the third-party liquidity provider without the need for direct nostro relationships. This makes it ideal for corridors where banks do not have existing correspondent banking relationships.



Settlement Through Digital Assets (XRP)

Future Release

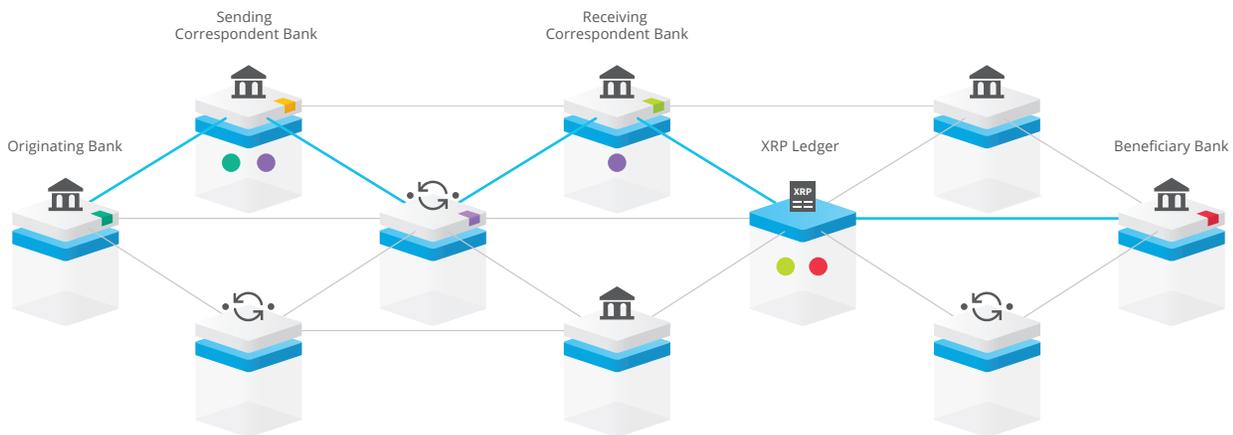
This arrangement allows for the transacting banks to settle payments using XRP as a digital asset. XRP's reach into exotic corridors and average daily trading volume higher than most exotic currencies, makes it an ideal bridge asset for settling transactions between banks. In this arrangement, each bank holds XRP as a fungible liquidity pool that can be used for payments within a number of exotic corridors without the need to hold nostro accounts in those currencies. With XRP eliminating the need for banks to have nostro accounts or foreign currency exposure, this arrangement is ideal to be used for exotic corridors.



Pathfinding

Future Release

The goal for each transaction over RippleNet is to find the best liquidity route between the originator and the beneficiary. RippleNet's pathfinding functionality is designed to traverse a payment through any number of participants utilizing any of the above-mentioned liquidity arrangements. RippleNet's ability to closely integrate information flow (through bidirectional communication) with the settlement of funds allows banks to leverage maximum flexibility in terms of their liquidity provisioning to best suit their business needs. Depending on the corridor (volume flows, cost of FX) and the use case (low-value or high-value payments), banks can choose between a number of liquidity arrangements to optimize for costs, risks and capital efficiency.



Ripple provides one frictionless experience to send money globally using the power of blockchain. By joining Ripple's growing, global network, financial institutions can process their customers' payments anywhere in the world instantly, reliably and cost-effectively. Banks and payment providers can use the digital asset XRP to further reduce their costs and access new markets.

With offices in San Francisco, New York, London, Sydney, Mumbai and Luxembourg, Ripple has more than 90 customers around the world.

Contact Us

To learn more about how your financial institution can be Ripple-enabled, please contact us at ripple.com/contact