

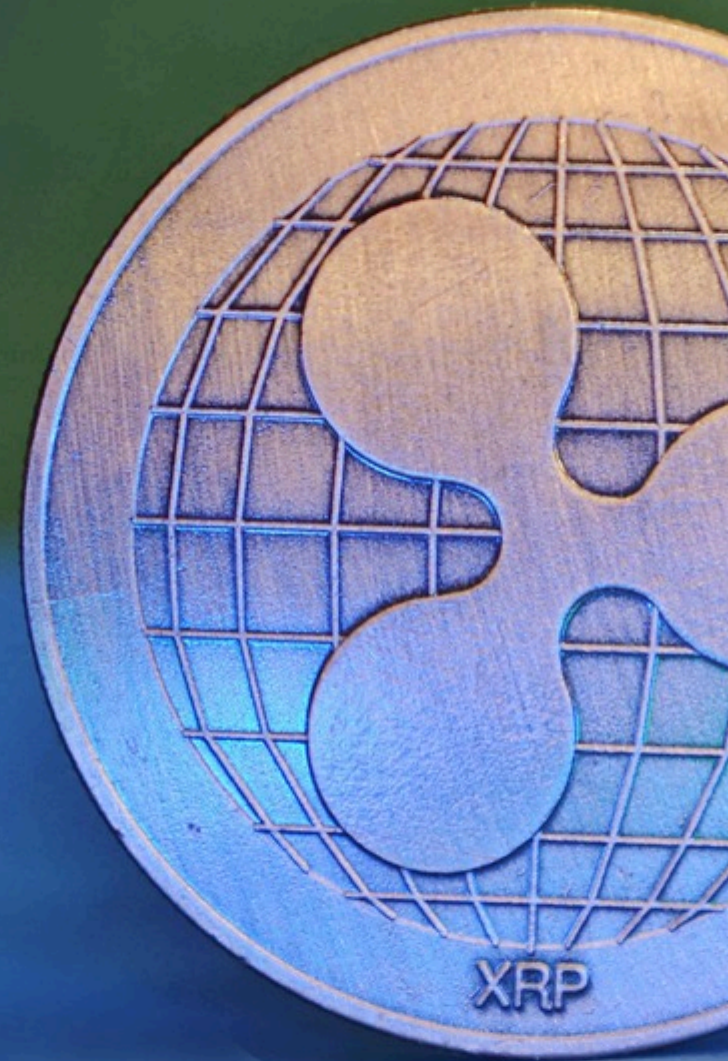
# Investment Dilemma in the Digital Assets Sector: XRP vs. Ripple

A Case Study in Blockchain, Valuation, and Regulatory  
Strategy

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# Agenda

- 1 **Context & Scenario** – Why this dilemma?
- 2 **Ripple vs. XRP** – Key differences and relationships.
- 3 **Regulatory Landscape** – The SEC case and global rules.
- 4 **Valuation Framework** – Cryptocoin vs. private fintech.
- 5 **Risks & Opportunities** – SWOT insights, competition.
- 6 **Data Exhibits** – Rolling correlations.
- 7 **Strategic Considerations** – Practical takeaways for investors.
- 8 Q&A

# The Investment Dilemma

Imagine you're advising a client who believes in blockchain but isn't sure where to invest...



**Steven Baker**

A tech entrepreneur intrigued by XRP



**John Valdez**

financial advisor

Should Steven invest in **XRP** as a cryptocurrency  
or **Ripple Labs**, the company behind it?

# Why it Matters



This dilemma is **not just about one investor**—it reflects a broader challenge in blockchain investing



It highlights key **differences between token investment and equity investment.**



The **outcome is tied to regulation, valuation, and market sentiment.**



# Ripple vs. XRP – What's the Difference?

Key Distinctions

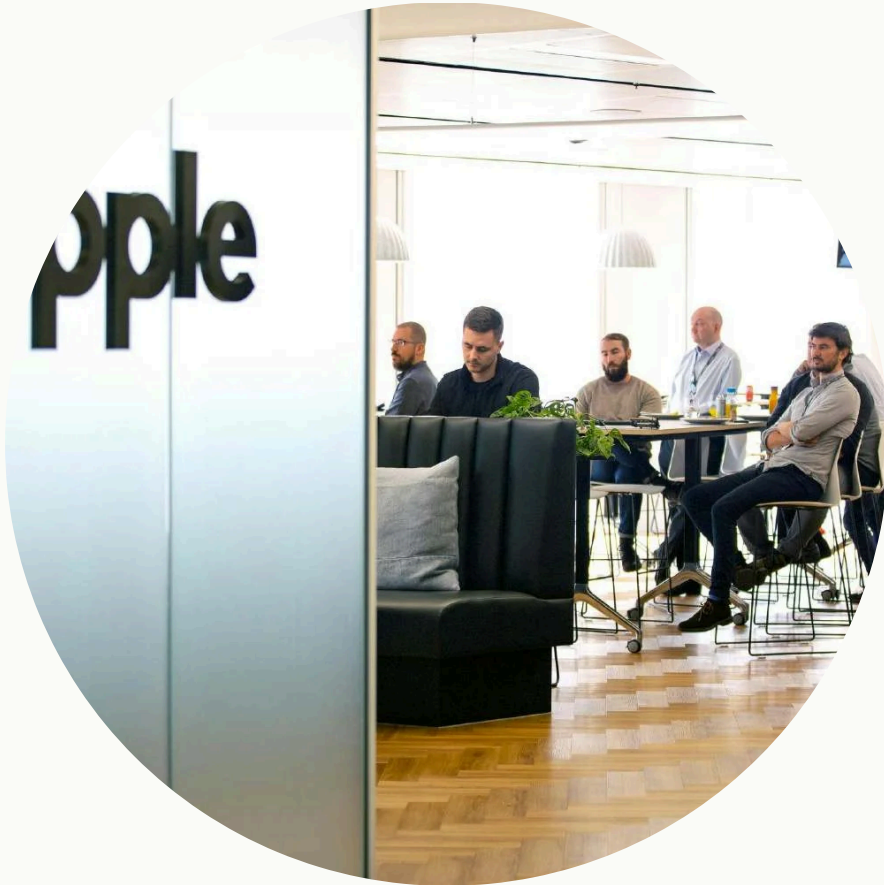


## XRP (Cryptocurrency)

- Created by Ripple Labs but operates independently.
- Used for cross-border payments & financial transactions.
- Highly liquid, traded on crypto exchanges.
- Price fluctuates based on **market demand and speculation**.

# Ripple vs. XRP – What's the Difference?

Key Distinctions

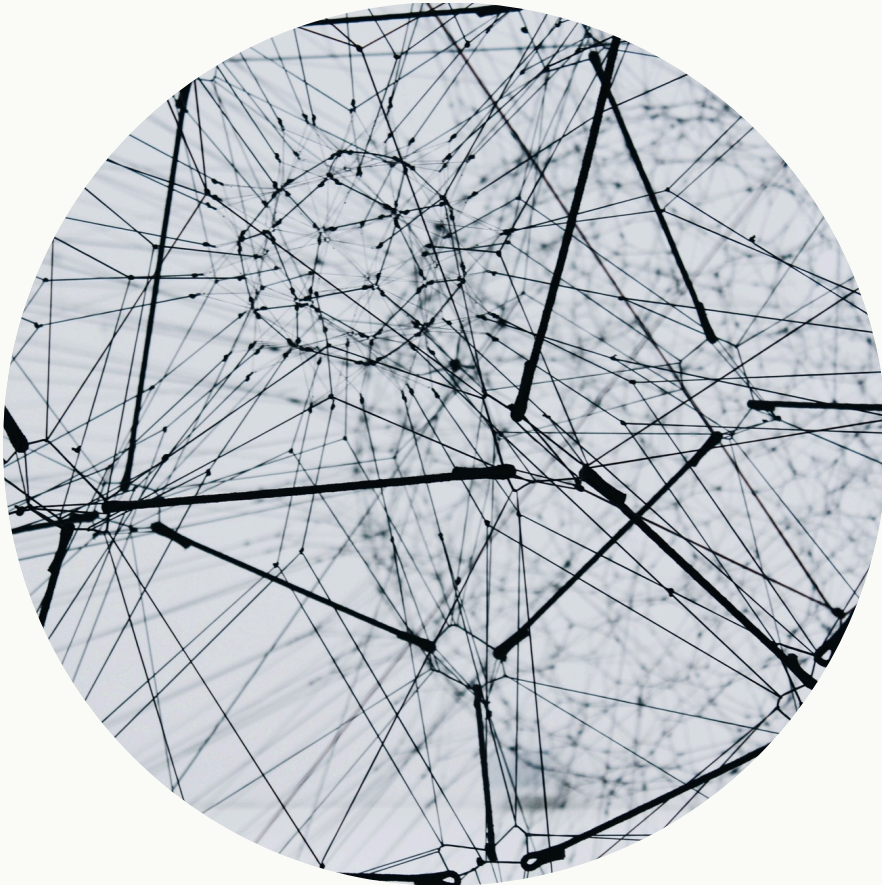


## Ripple Labs (Company)

- Private fintech firm developing blockchain payment solutions.
- Holds a significant reserve of **XRP** in escrow.
- Generates revenue from partnerships & enterprise solutions.
- Investors can buy **private shares** (not publicly traded).

# Ripple vs. XRP – What's the Difference?

Key Distinctions



## How They're Connected

- Ripple **uses** XRP but doesn't directly control it.
- XRP price **impacts Ripple's valuation** because Ripple holds billions of XRP.
- Ripple's **legal battles** affect XRP's price.



# Regulatory Landscape

## How Regulations Impact Ripple & XRP

### SEC vs. Ripple (2020-2024)

#### 2020

SEC sued Ripple, claiming **XRP is an unregistered security**.

#### 2023 Ruling

XRP is **not** a security for retail investors but **is** a security for institutional sales.

#### August 2024

In August 2024, Judge Analisa Torres ruled that XRP was not a security in programmatic sales on exchanges but upheld penalties for institutional sales

#### Ongoing appeal

Regulatory uncertainty remains.





# How Do We Price XRP vs. Ripple?

## Different Valuation Approaches

### XRP Valuation (Crypto)

- ✓ **Network adoption** - More transactions = more value.
- ✓ **Scarcity & tokenomics** - Pre-mined supply affects price.
- ✓ **Speculation** - Often driven by market sentiment

### **Ripple Labs Valuation**

- ✓ **Venture funding rounds** - Last valued at **\$5.7B** (secondary market, Dec 2024).
- ✓ **Income Approach** - assumptions about the annual volume of XRP sales and future prices,
- ✓ **Market Approach** -
- ✓ **Asset-Based Approach** - digital payment technology business and its holdings of XRP
- ✓ **Market Approach** - assumptions about the Total Addressable Market

### Comments

- ✓ XRP follows a **speculative asset model**, while Ripple Labs is more like a **traditional fintech**.
- ✓ **Lack of public financials** makes Ripple Labs harder to evaluate.

# — Correlation

Rolling Correlation  
between **XRP**, **BTC**, **ETH**,  
**S&P 500** (SPDR S&P 500  
ETF Trust), and **Nasdaq  
100** (Invesco NASDAQ 100  
ETF)



XRP is **highly correlated with Bitcoin & Ethereum**, making it sensitive to overall crypto trends. **Lower correlation with traditional markets**—suggesting potential for **diversification benefits**.

# Evaluating XRP and Ripple Labs

## Strengths

✓ XRP: **Fast & Low-cost Transactions** – Settles in 3-5 seconds. **High Market Liquidity** – Traded globally on major crypto exchanges

✓ Ripple: **Strong Institutional Partnerships** – Collaborates with **Santander, HSBC, Western Union.**

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## Weaknesses

✗ XRP: **Regulatory Uncertainty** – Ongoing SEC case affects investor confidence. **Volatility** – Prone to speculation, making it **unpredictable for risk-averse investors.**

✗ Ripple: **Not Publicly Traded** – Private shares are illiquid.

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## Opportunities

💡 XRP: **Adoption in DeFi & Payments** – XRP Ledger expansion for smart contracts. **Potential ETF or Mass Institutional Adoption** if legal clarity is achieved.

💡 Ripple: **CBDCs & Banking Integration** – Central banks exploring XRP-powered settlements.

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## Threats

⚠ Competition: **Stablecoins (USDT, USDC), Stellar (XLM), SWIFT GPI.**

⚠ XRP: **Dependence on Ripple** – Despite claims of decentralization, its value **still hinges on Ripple Labs' business success.**

⚠ Ripple: **Regulatory Risk for Future Growth** – If institutions hesitate due to unclear legal status, Ripple's growth **could be capped.**

**XRP & Ripple share interconnected risks, but also independent strengths.**

# Competitive Landscape – Who Are the Rivals?



### Traditional Financial Systems

- **SWIFT** (Global leader in cross-border payments – controls **45% of the market**).
- **Visa, Mastercard** (Expanding blockchain-based payments).
- **Central Bank Digital Currencies (CBDCs)** – Could compete with XRP for remittance & forex solutions.



### Crypto & FinTech Alternatives

- **Stellar (XLM)** – Created by ex-Ripple founder **Jed McCaleb**, focuses on cross-border payments **without Ripple's centralized model**.
- **USDT / USDC (Stablecoins)** – **Low volatility & fast transactions**, becoming a popular alternative for institutional crypto payments.
- **Ethereum (ETH) & Solana (SOL)** – Competing **smart contract platforms** that could host alternative cross-border payment solutions.

### Key Competitive Insights

- **SWIFT is evolving** – **90% of cross-border payments on SWIFT now settle within an hour**.
- **XRP is faster & cheaper**, but **its adoption depends on regulatory clarity & partnerships**.
- **Stellar (XLM)** has taken some of Ripple's early partnerships, e.g. **MoneyGram now uses Stellar/USDC instead of XRP**.



# Strategic Considerations for Investors

What Should Investors Keep in Mind?



## Investment Horizon & Liquidity

- **XRP is liquid** – Traded 24/7 on global exchanges.
- **Ripple shares are illiquid** – Must wait for IPO or secondary market sale.

# Strategic Considerations for Investors

What Should Investors Keep in Mind?

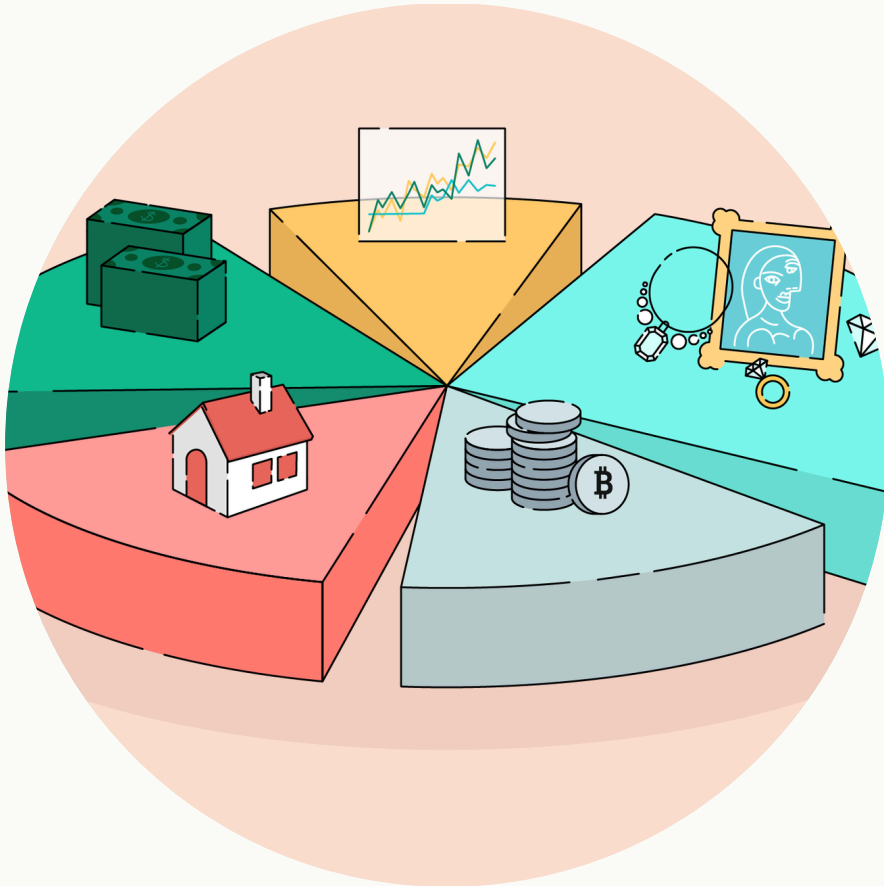


## Risk Appetite & Volatility

- **XRP is highly volatile** – Prone to speculative booms & crashes.
- **Ripple has startup-like risks** – Dependent on **revenue growth & regulation**.

# Strategic Considerations for Investors

What Should Investors Keep in Mind?

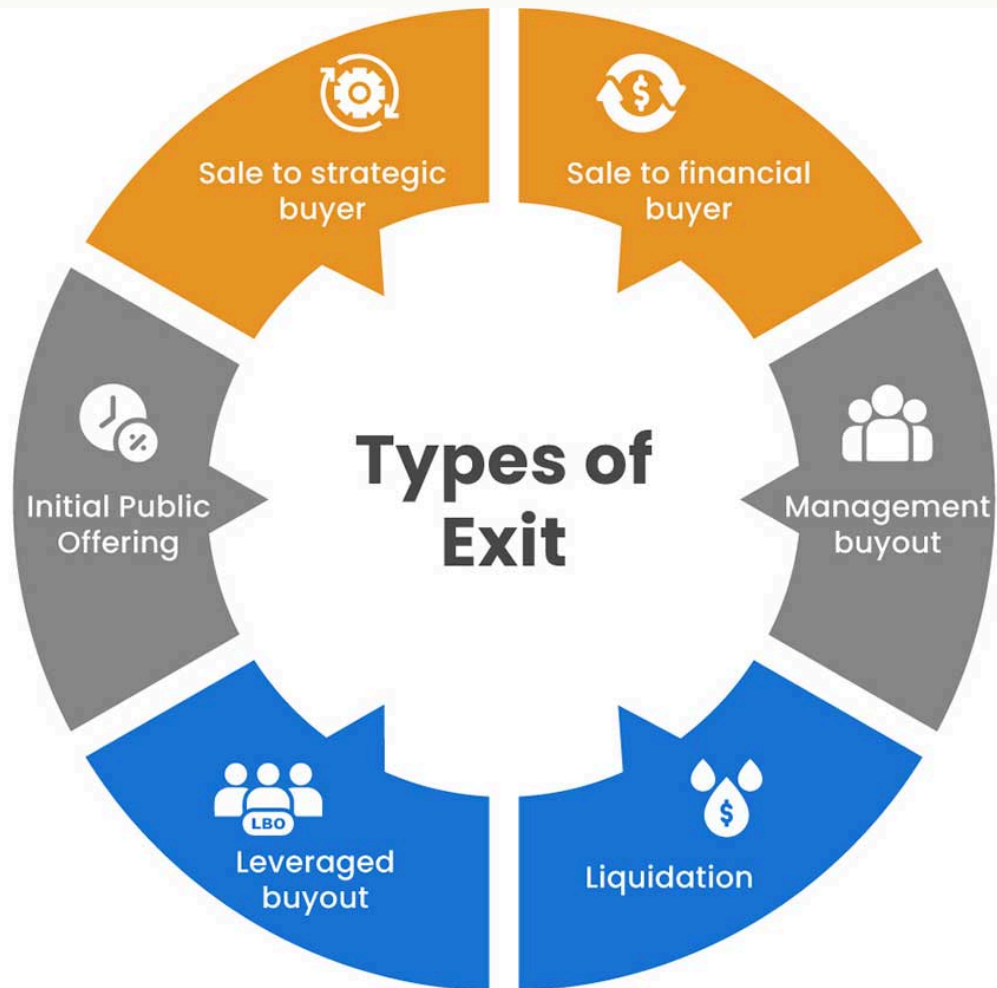


## Correlation & Diversification

- **XRP & Ripple move together** – Owning both may not provide much **risk diversification**.
- **Ripple's success does not guarantee XRP's success** – Institutional investors could use Ripple's network **without holding XRP**.

# Strategic Considerations for Investors

What Should Investors Keep in Mind?



## Potential Exit Strategy

- XRP can be sold at any time.
- Ripple share investors may need to wait for a buyout or IPO.





# Conclusion – Key Takeaways

XRP vs. Ripple is not a simple choice

They are **interconnected** but **distinct investments**

Regulation & adoption will determine the future

The SEC ruling & banking partnerships **are crucial catalysts**

Different risk profiles

XRP is a speculative asset, while Ripple Labs behaves more like a **venture-backed fintech**

**Long-term investors** should assess **adoption trends & real-world use cases** beyond price speculation

The Business Case Has recently been accepted to publication by The CASE Journal

Thoughts? **Questions?**





# Global Regulation Snapshot

**EU** - MiCA law - Licensed & regulated crypto assets

**USA** Uncertain - SEC ruling still under appeal

**China** Crypto banned completely

**Japan** Proactive - Recognized as legal property

**Canada** Strict licensing but crypto ETFs allowed.

