



PODCAST TRANSCRIPTION SESSION NO. 275-ASHEESH BIRLA

Welcome to the Lend Academy Podcast, Episode No. 275. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of LendIt Fintech.

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Peter Renton: Today on the show, I am delighted to welcome Asheesh Birla, he is the SVP of Product at Ripple and he is also the General Manager of RippleNet, he is part of the Executive Team and was actually one of the first employees at Ripple way back 2013. I wanted to get Asheesh on the show because Ripple's becoming a more and more important part of the fintech ecosystem.

I wanted to dig into RippleNet which we do in some depth, we talk about what it is, who is using it, how banks are involved and the use cases that are prevalent today. We talk about Swift and why RippleNet is a better solution than Swift, we delve into XRP and crypto as an asset class. We also talk about the new line of credit product that Ripple just recently introduced which I found fascinating, we also talk about some of the hot issues of the day, Central Bank Digital Currencies, the growth of DeFi and much more. It was a fascinating interview, I hope you enjoy the show,

Welcome to the podcast, Asheesh!

Asheesh Birla: Thanks for having me, Peter.

Peter: Okay, my pleasure. I'd like to get this thing started by giving the listeners some background. I know you've been at Ripple for many, many years, but why don't you give us some of the highlights of your career to date.

Asheesh: Yeah. So, you know, my story is I grew up in Michigan and went to the University of Michigan and studied Computer Science. Right after I graduated, the Internet was taking off and I thought, you know, I need to be part of this movement so I moved to San Francisco because that's where all the action was and that was a launching pad for my career. The Internet taking off, new software engineer in Silicon Valley and that was tremendous, but, you know, I was starting to think about what could be the next Internet that can help me take the next, you know, trajectory in my career.



I thought, you need to go to business school and so I went to Wharton and figure out what was next and just at that time, the economy was cratering with the '08 crisis and at that exact same time, Bitcoin was created out of this economic crisis and I started to learn about it really early.

In 2012, I started looking for...you know, this could be even more impactful than the Internet, meaning blockchain and I found Chris Larsen at a Bitcoin sort of meet up or conference early days, 2012, and I said, listen, if you ever start a company....Chris Larsen is, you know, the Founder of Ripple and Founder of Prosper, I said like, if you ever start a company in the space, let me know and a couple of months later, he said, I'm starting something in the crypto currency space, why don't you come be my Head of Product. And that's how the party got started and that's how I got into crypto and I haven't looked back. I've been at Ripple now for over seven years.

Peter: Wow, that's fascinating because, obviously, long time listeners know Chris Larsen well as the Founder of Prosper and he moved on many years ago. I remember when he moved on from Prosper and I asked him what was next and he said, I've got a couple of ideas and next thing you know, Ripple was born. So, maybe we could just take a step back andwhy don't you describe Ripple, how do you describe Ripple today?

Asheesh: Yeah. So, you know, Ripple is a company that is building financial technology and we are re-inventing the way that money moves around the world. It's really.....you know, Chris talked about it the first day I started as the Internet of Value, meaning Ripple's going to build software to help enable the Internet of Value. We're doing that because this is like the way that money moves today. The way that folks lend it today hasn't changed much, fundamentally, since the 1960's and listen, now companies are becoming global from day one.

They have different kinds of needs that are different from the 1960's when folks were not as global and so, listen, using distributed blockchain technology and new decentralized financial technology. Ripple's been building something called RippleNet which is a peer-to-peer meaning bank-to-bank or financial institution to financial institution network to better enable...we started with moving money and we'll talk a bit on this podcast a little bit about, hey, where we're heading next beyond moving money cross borders which I think is super exciting.

Peter: Right, right. So, maybe let's just dig into RippleNet because I think it's a super interesting concept and, obviously, the way we've moved money around hasn't changed much. How is it different to the existing system and who's actually using it right now?

Asheesh: Yeah, great question. So, you know, the way that money moves today real quickly is really 80% of cross border flows go through three mega banks. That's HSBC, that's Citibank, that's JP Morgan and you trust those banks to move money for you, I mean, they are the world leaders and really trust.

What's interesting about the way that Ripple started creating an alternative is that instead of trusting those financial institutions, why don't we link up smaller financial institutions and, you know, in the future maybe even corporations directly. And, instead of trusting the banks to move



money, why don't we trust the block chain to move money cross borders and so, today, correspondent banks, if you want to move money into Mexico, they actually open an account in Mexico, they keep this in pesos and they move money that way using something called mostly the Swift network.

Peter: Right.

Asheesh: But, today, you can move digital assets into the country real-time and they get converted into local currency using crypto currency exchanges and so, you know, we've started that journey years ago, we launched the crypto currency addition to RippleNet about two years ago. Today, MoneyGram is using that product, you know, we have companies like V. Americas in the United States, a top five global remitter into Mexico from the US, Azimo in Europe.

In fact, the traction has been so good that, you know, 10% of US dollar to Mexico which is the largest corridor in the world for remittances, 10% of that now moves over blockchain technology, digital assets and RippleNet and so, we've made a pretty big dent in that in just a few years after launching. So, this is real, people are using it, it's far superior compared to the traditional world where there's tons of excess capital pre-positioned around the world just to facilitate payments which is crazy. That removes a lot of that because now you're trusting a digital asset, you're not trusting these large mega banks to move your money.

Peter: Right, right. So, what about...what countries are you working in, I mean, is it the whole world now or are you focusing on specific countries?

Asheesh: Yeah, great question. So, RippleNet enables you to use both Fiat only, meaning there's no digital currency, our crypto currency involved and then in select corridors, where we have the infrastructure available, you can use RippleNet and digital assets, that product's known as ODL.

With the crypto currency product, you can send into, I believe, three destinations around the world, we're expanding that aggressively in 2020 and 2021, but the fiat only RippleNet, you know, we are in all the major currencies now, I think we're in 45 different countries, six continents and we have pay-out capabilities in 70 countries....sorry, 45 countries is where we have customers, we can actually pay out into 70 countries with RippleNet altogether.

Peter: Right, right, okay. And then, who's actually using it? I imagine you're not really communicating with the end-user, you're communicating with...you're a B2B player, right, for the most part, who is using, what kinds of companies, what kinds of....you mentioned MoneyGram, but who else is using it?

Asheesh: Yes. So, we have, you know, they're fintechs or payment providers like Azimo which is a leader, the second largest fintech remitter in the UK right behind TransferWise. We have companies like V. Americas, you know, they're in the top five for US dollar to Mexico remitters, a large company, very, very innovative based in the United States and then we have, you know,



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folks that are part of our network like Siam Commercial Bank in Thailand which is the oldest, largest commercial bank and they are one of our strongest partners in the region.

So, you know, we have a mix, we also are aggressively moving into companies like goLance which is a freelance e-commerce company that has needs to pay out freelancers around the world. And, again, there's not a great solution for a company like that until there was something like RippleNet so, you know, we are really going after underserved companies that are innovating in their space.

Peter: Right, right, okay. So, if you walk into a MoneyGram and you want to send money to Mexico, I mean, you've got no idea that this is going over blockchain rails, right, what I'm really getting at maybe.....if you walk into a MoneyGram, maybe explain exactly how it works. You might be a Mexican American sending money to a family in Mexico, you walk into MoneyGram, you give them \$500, what happens?

Asheesh: Yeah. With the MoneyGram cash example....so if you're walking into a retail store, you know, the experience for that customer is not really changing because MoneyGram today, they've prepositioned Mexican pesos so they make it appear instant. What we're doing is reducing the cost from MoneyGram, they no longer have to preposition pesos which is called float or treasury in Mexico anymore using RippleNet.

Instead, they moved it in real-time so it's sort of like this, you know, in the factory, industrial space it's called "just in time", money is moving just in time into Mexico which is the big innovation for MoneyGram and where it really comes into play is if you look at MoneyGram, they're digital growth, sort of induced by COVID, has been growing gangbusters, their stock is up as well and because it's digital, they need real-time movement of money. So, that's where the efficiencies really come into play.

Now, you can actually move money real-time using a mobile app in the United States into Mexico and, again, that's what's given birth to this entire industry from Azimo in the UK, again, enabling digital customers to download something from the app store and get going and send money internationally in a matter of minutes. I think that's really where we're seeing a lot of growth on RippleNet enabling those kinds of customer and use cases,

Peter: Right, right, right. Obviously, Swift isn't standing still either. I know that.....I saw recently that they've got a new initiative designed to speed cross border payments, I mean, maybe you can tell us why. Is it just speed, I mean, what's.....eventually, Swift, I imagine, will be able to do real-time time as well. Why is RippleNet better than Swift, maybe we can just answer that.

Asheesh: Yeah, so will we. You know, Swift is a consortium, it's not a for-profit company like Ripple is so, number one, you know, our DNA is innovation and technology. The other thing is that Swift is really just messaging and if you listen to our customers, the problem they have is partially messaging and that's where RippleNet got started five/six years ago, was just the messaging only problem.



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We then innovated further, we said, okay, now we're linking up all these financial institutions directly without an intermediary in solving the messaging problem, let's go and solve that liquidity problem. Swift doesn't solve the liquidity problem, you still move money the old way by these archaic relationships and prepositioning money around the world. That's where we started adding in the ODL product, it's called On-Demand Liquidity, leveraging digital assets to move money in real-time and that removes the trillion dollars afloat that's prepositioned around the world just for cross border payments and, again, you know, that was the first innovation beyond messaging.

Now, you know, we'll talk about lending coming up as well, again, adding more and more to our arsenal and product suite, you know, leaving Swift behind as the messaging only problem. So, yeah, by the time they upgrade all their banks by 2030, hopefully, we'll have several additional innovations that we've had added to our arsenal already.

Peter: Right, right, Let's talk about that credit product because that was really an interesting innovation, what really prompted this whole conversation. You know, you've just announced last month that you have a new line of credit product, who is it for and how does it work?

Asheesh: Yeah. Well, as we're learning in this journey, you know, we started just talking like... good product folks talk to their customers, we started realizing that our customers use one set of partners for payments and then I started realizing that they actually get a line of credit from other banking partners. Now, why do you guys need a line of credit and part of it was because their customers want real-time payments, but the money doesn't come in from customers for two to three days a lot of times.

But, the customers want to send those payments right away, as soon as they get the app so they're out of money for two to three days and, you know, these fast growing fintechs, they don't want to use their venture capital money to float two to three days. So, they started borrowing from traditional lenders and what I realize is that these traditional lenders, they're really good at like giving line of credits to construction companies and they're not great at lending to fintech companies.

So, Ripple can potentially solve this by not only offering the cross border payment, but we can also give them a little bit of capital for the two to three days and charge them for it. And so we realized that we're really one of the companies that can do the payment, but also do the line of credit all in one product in an all-in-one experience for our customers and I thought, well, hey, this is starting with just our existing customers, but now I'm realizing that listen, there's a whole other segment around e-commerce that needs the same exact thing.

And if you're talking about Southeast Asia, for example....you know, the US is, they have some options, if you're talking about Southeast Asia, that is growing gangbusters and there is not great credit facilities in that market. So, you're an expert here as well so, you know, I think I'm realizing the opportunity here is a lot bigger than I initially thought.



Peter: Right. You talk about trade finance...I mean, trade finance is trillions of dollars every year and that's something that I can see something like this happening. So, are you funding these lines of credit off your own balance sheet, how are you doing it?

Asheesh: Yes. So, the initial product, just to get the experience right is funding it off of our own balance sheet. You know, in the future you can think about innovations that you're potentially seeing in the Decentralized Finance space otherwise known as DeFi to open this up to others to potentially, you know, provide the capital, more of an open marketplace using crypto currencies and digital assets. And so, yeah, we're starting right now by leveraging our own balance sheet.

Let's get that experience right and then when we scale it, we can potentially offer this to other lenders as well and trade finance for example....you hit it, I mean, there's all sorts of new trade finance enabled by e-commerce that I didn't even realize. Merchants that want money faster to go and invest in their business in the traditional trade financing space as well and, again, we are probably giving a lead or two a day from companies learning about this that we're trying to figure out, is it the right segment to play in or should we go into this segment, what region around the world is the most underserved. You definitely hit on something that's on top of mind for me.

Peter: Right, right. And so, do you give it to anybody or do you underwrite these customers to make sure this is a legitimate transaction and how are you deciding whether or not to provide this line of credit.

Asheesh: Right, yeah. I think right now, we are really early days, you know, the good thing is that we're starting with our customers and we know our customers, they've been around for a long time, they have a very strong balance sheet and they also have a good business. So, we feel good about trying to learn by leveraging this almost an exact same product that we have today, you know, and start building up the risk models so that we go into other segments as well. So, yeah, short answer is we know we're starting with our own customers, we're doing a quick risk assessment and we're taking it slow to build up this product expertise in-house.

Peter: Right, right, okay. So, you mentioned DeFi, I want to talk about that because it's seen pretty explosive growth this year and I think beyond your line of credit product....I'm just thinking about how you view the DeFi space in general. Obviously, you're talking about lending via smart contracts, you know, like MakerDAO one of the big ones, how's Ripple viewing this explosion in the DeFi space this year.

Asheesh: Yeah, I mean, this has been something that I've personally been tracking for two to three years. You know, folks always look at smart contracts, what is this thing going to be good for, I mean, why do you need smart contracts in the first place and there are all sorts of like different use cases very early on, maybe three or four years ago with smart contracts, but this was one...lending, in particular, was when I felt like, wow, this makes a lot of sense.

Now you can lend to folks without an intermediary and so it started making a lot of sense, you know real-time capital that you can use in a transaction and repay it back in seconds. That's something you can't do with a traditional world that you could honestly do with a Defi. The



problem, I think, the DeFi needs to solve to really grow is that there really isn't a credit model or an identity model, it is all anonymous at this point and I feel like that's why you need..... to actually borrow, you need heavy, heavily over collateralize the loan.

Peter: Right.

Asheesh: So, you know, I think until they figure out a model that involves identity and risk, it's probably going to have, you know, decent growth, but can't really get to like the kind of global growth or enterprise use cases that I would want to see until that's solved. I think that's going to come, I just think that, you know, you're in super, super early....you're almost in the warm up of a game, not even early inning, in terms of DeFi. I think it's super exciting, it is going to be a big space, no doubt, I just think that like a lot of things, it's probably going to be a lot longer than folks anticipate, to see some mainstream use cases emerge there, but it's fascinating. I've been following it for a long time.

Peter: Right, right, sure. So, I want to talk about XRP, the Ripple kind of...like the crypto and your views. I've been following the space, I own a few thousand XRP I bought back in like, I think it was 2016, and I wanted to....obviously, crypto, I just saw that Bitcoin's going over \$15,000 today, we're recording this on November 5th, just to make sure we clarify that, but...I mean, what's your view about the crypto space in general and XRP specifically.

Asheesh: Yeah. What I think we're starting to see in the crypto space is that at the beginning, you know, when I joined Ripple there was only a few of them and everyone was going after the same use cases, everyone was going after payments. And, I think what you're seeing now is that...hold on, Bitcoin is really not going after payments, like I don't see folks really leveraging Bitcoin going after payments, but it's actually a pretty innovative alternative to gold.

When you see market uncertainty like you're seeing today with the Fed and the other Central Banks printing money, it could be this like, you know, safe haven like gold was or is today so, I mean, I think you're seeing that use case emerge there. With XRP, that digital asset that Ripple leverages for its cross border flows, it was created for payment. I think you're seeing a very, very conduit to a more efficient global payments system so I think you're seeing that huge space take off for XRP.

And then with Ethereum, you're seeing ether fuel the Decentralized Finance smart contracts space. And so, you know, I think it's great, I think that you are seeing now use cases and sort of these different digital assets specialize and guess what, finance is a massive, massive space so there's room for a lot of them. I think the days that folks believe that there's only going to be Bitcoin, I think, are over. I think it's clear that there are going to be a lot of digital assets and there's going to be a lot more, maybe traditional assets that are going to be tokenized as digital assets which is exciting.

You're seeing Fiat and Stablecoins, take off as an example of that, but I think you're going to see more things in the traditional world represent themselves as tokens on a blockchain which I think is going to add a lot of efficiency to so I'm really bullish, obviously. You could have had a



this podcast maybe a year ago and you know, you're in the dog days of digital assets when no one cared about the space anymore. You're seeing it come back red-hot again. Interesting enough, I don't see the traditional venture capitalist as interested as they were in 2017, but in my mind I think that I can't be happier in terms of the innovation in that space.

Peter: Right, right, interesting. And speaking of innovation in the space, I want to talk about Central Bank Digital Currencies because it seems like there's been a lot of...it started off I think, last year. I think Libra, you know, was really the thing that kind of kicked off this conversation and now you've got many. I mean, even the US Central Bank is saying that they're looking at it.

You've got the Chinese Central Bank have it in pilot even as we speak and many others around the world. Many other Central Banks have said, yeah, yeah, we're looking at it in really developed countries like the UK, Canada, etc. so like what do you think that's....I mean, it feels to me that it's inevitable. I mean, eventually, if you go out long enough, it's all going to be digital currency, but I'd love to get your perspective on that and particularly what it might mean for Ripple.

Asheesh: Yeah. Like you, I've been, you know, looking at CBDCs for a long time. You know, what China is doing, what CBDCs...and if you're following the Ant Financial Poll, you know, we're doing an IPO and then China said, no, you're not. I think they're related and I think what China wants to do with the CBDCs is that, listen, this is going to be how money moves using the RMB and listen, it could be an identity later. I know where folks are paying, I know where folks are earning now so, you know, reform taxation, but also, could this be a ploy for China to also replace the US dollar as the world's reserve currency.

And so, I think that China is blazing ahead here, I don't think that they care as much as the rest of the world does about disrupting the commercial sector so they are like....Ant Financial being a classic case, they are blazing ahead with this. I think that everyone else is going to play catch up, to be honest, you don't have so many centralized function that China does. The interesting thing here is that it has nothing to do with blockchain.

If you read CBDCs with China, they are using a centralized solution and so that's where, I think, RippleNet can actually take this local CBDCs and bridge them to make money move more efficiently. So, I think that it's a very good thing for companies like Ripple, we're already, you know, repositioned well in building out this decentralized network called RippleNet. Now, we can start linking these domestic CBDCs, we can even make it more efficient and I think if you look at it right now, one of the hardest things that we have to do is connecting the last mile...how do you get the money to the people that need it in the Philippines.

You know, it's still scooters and delivery if you have punch ups, if you believe it, but if you had CBDCs delivery into your mobile phone, like they're thinking about in China, all of a sudden the last mile, you know, gets solved. So, I think the whole space is pretty fascinating, let's see if China gets off the ground in 2021 like they do, if so, it's off to the races, I think, for the rest of the world.



Peter: Right, right. And, obviously, China doesn't have as many....they don't really care as much about privacy. That is, I think, one of the big challenges because cash is completely anonymous and that's where, I think, there's going to be resistance. Anyway, it will be interesting to see how it develops, but.....

Asheesh: I think you nailed it with the cash piece and the privacy piece. I think they want to track it which is completely different than the rest of the world.

Peter: Yeah, yeah, exactly. Anyway, a couple of more things...we're running out of time, but I want to get to something your CEO said recently talking about moving your headquarters out of this country. He cited, you know, the lack of regulatory innovation, what do you see from your perspective, what should the regulators be doing in this country that they're not doing?

Asheesh: Yeah. So, it goes back to that story that I told at the beginning. You know, they nailed it with not regulating the Internet or give, you know, the right kind of policies and as a result, you know, if you look out my window you can see Twitter and all these companies innovating in the United States because the policy was a really, really good policy to govern the Internet. With crypto currencies, they've really taken sort of a lackadaisical approach, not only with crypto currencies and block chain, but also with fintech in general.

You know, if you want to get regulated in the United States, you have to go 50 different states each, applying is \$2 Million in licensing to become a money transmitter in the United States so you raise the bar. Whereas in Singapore or the UK, you know, they've come out with clear digital asset, blockchain regulation, they've streamlined how to become a fintech in those countries. I think MAS in Singapore is doing a fabulous job with both.

And so, if you want to innovate.....you know, they're going to attract companies that want to innovate just like the United States did with the Internet. So, it's unfortunate ...like, you know, Ripple and companies like Ripple that want to innovate in the blockchain space.....I'm not so sure and I think our CEO is also.....you know, have said similar things that it's not super clear how to move forward in the United States. Folks want certainty and I think that's only natural so I think that's some of the background on Brad, our CEO's comments.

Peter: Right, right, fair enough. So, last question, I'd love to get your sense on the vision for Ripple and what's coming down the track, I mean, it's exciting all the different things you're working on. It feels like there's so many trends that seem to be kind of coming together that will help Ripple, but what is your vision, what's down the track for you guys.

Asheesh: Yeah. So, you know, I think we are going to continue to build out RippleNet so the more customers, the more partners we have as part of RippleNet that is, you know, the mode. That is really our....distributing this to all the different folks around the world, I think continue to do that, we are going to continue to expand ODL, On-Demand Liquidity, I mentioned this is in a few countries as destinations, we want to get global coverage of that where possible by the regulators.



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And then, you know, lending is just one example of other products that we can offer our RippleNet customers that solve real problems for them. I think, you know, there are other areas as well as listen, you get lending down, you get payments down that opens up a lot of other, you know, white space for us to innovate in as well. One in particular is e-commerce, I think with COVID you've seen an explosion in growth of e-commerce. I don't think you have the right kind of financial infrastructure to support those kinds of companies so that's something that I'm really looking forward to in terms of innovating and building for in the upcoming year.

Peter: Okay. Well, it's really super interesting what you guys are doing, Asheesh, I really appreciate your coming on the show.

Asheesh: Peter, thanks so much for your time and really great questions. You can tell you're an expert in the space that keeps reinventing itself I think every four or five years would be great.

Peter: Okay, thanks. See you.

You know, we didn't talk that much in this interview about blockchain technology and that was deliberate. I mean, from my perspective, while blockchain had its hype period a couple of years ago, it's now really all about what can the technology do, it's really about what is the use case that makes life better for small business or for a consumer. As you can see in this interview, we went through several use cases about why RippleNet is a better solution than what we have currently today.

I think it's inevitable that we're going to be able to move money around quickly, internationally, it's going to be effortless and it already is, obviously, with a lot of things that Ripple is doing, but for anyone who thinks that we're going to be doing wires here internationally and take a day or two to receive that money, we're not going to be doing that at the end of this decade, we're going to switch during this decade to a much more efficient and much better way of moving money around. I happen to think Ripple will be right at the center of that.

Anyway on that note, I will sign off, I very much appreciate you listening and I'll catch you next time. Bye.

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