

## Ripple's Policy Principles



### Introduction

Emerging technologies such as cryptocurrency and blockchain necessitate innovative approaches to regulation. Safeguarding consumers and markets through regulatory measures remains essential, and encouraging innovation and expansion should be central to any policy framework.

We firmly believe that transparent communication and collaborative efforts between both private and public entities are vital in shaping an effective regulatory landscape for cryptocurrencies. This is why we have actively engaged in discussions with a diverse array of policymakers around the world. These dialogues have offered insights into the kind of regulatory clarity sought by the cryptocurrency industry and the broader ecosystem, as well as the expectations regulators have for the industry.

As the ongoing discourse persists, Ripple has a vision for a practical regulatory framework governing cryptocurrencies, blockchain-powered payments, and digital assets. Ripple looks forward to a regulatory framework that not only nurtures the untapped potential of cryptocurrency and blockchain technologies but also establishes essential safeguards for consumers and market stability.

### 1. Adopt a globally consistent taxonomy

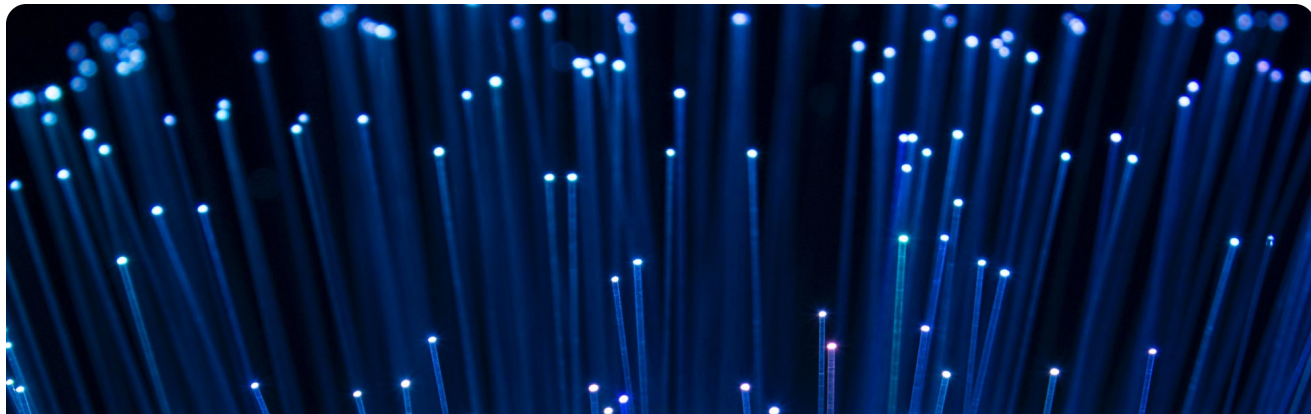
Currently, there is no single or generally recognized definition of crypto-assets. Consistent with the approach taken by some jurisdictions, like the United Kingdom, UAE, Japan, and Singapore, which have issued classifications that depend on the inherent characteristics of a token and the rights attached to it, there should be a clear distinction between payment tokens, utility tokens, and security tokens, as outlined below:

- Payments or Exchange tokens: to describe non-fiat native digital assets that are used as means of exchange and have no rights that may be enforced against any issuer.
- Utility tokens: to describe those digital assets that create access rights for availing service or a network, usually offered through a blockchain platform.
- Security tokens: to describe tokens that create rights mirroring those associated with traditional securities like shares, debentures, security-based derivatives, and collective

### 2. Implement a risk-sensitive regulatory framework

A regulatory framework should be technology-agnostic, and it should not explicitly or otherwise endorse any particular technology. There should be parity in the treatment of all technology. Given the dynamic nature of crypto-assets, prescriptive regulation risks becoming outdated, hindering innovation, and unwittingly increasing financial stability risk. Instead, a regulatory framework should be principles-based, steering market participants to specific regulatory and policy objectives while maximizing flexibility and breadth of application.

Any regulatory framework should use a risk-based approach to identify crypto-asset services that pose sufficient risk to warrant regulation.



### 3. Foster innovation sandboxes

Innovation sandboxes should be fostered for market participants to test new and innovative products, services, and business models with end-users in a controlled environment, while being subject to regulatory oversight.

Innovation sandboxes should be encouraged to incentivize forward thinking innovation and inform the development of a clear and consistent regulatory framework for crypto-assets.

### 4. Encourage public-private collaboration

Any policy framework intended to regulate crypto-assets should promote an active dialogue between regulators and market participants to better achieve regulatory clarity. Such public-private collaboration will lead to more appropriate and effective policy outcomes for the industry and consumers alike.

A collaborative forum that brings regulators and industry stakeholders together to build a rational and holistic framework for blockchain and crypto-assets would represent a substantial step forward toward achieving regulatory clarity.

### 5. Ensure global consistency and comparability

Given the cross-border nature of crypto-asset markets, minimum global standards are necessary. These standards should be supported by cross-border cooperation and information sharing across jurisdictions to help ensure an approach that is consistent and comparable.

Enabling greater mutual recognition of licenses across jurisdictions would be a natural benefit of adopting common minimum international standards. It's important to note that mutual recognition decisions already exist for traditional financial institutions and infrastructures.