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## Insights

## Q2 2022 XRP Markets Report

Team Ripple

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Ripple publishes the quarterly XRP Markets Report to voluntarily provide transparency and regular updates on the company's views on the state of crypto markets such as its quarterly XRP sales, relevant XRP related announcements, and commentary on market developments over the previous quarter.

As an XRP holder, Ripple believes proactive communication and transparency are part of being a responsible stakeholder. Moreover, Ripple urges others in the industry to build trust, foster open communication and raise the bar industry-wide.

## Crypto Market Summary

Digital asset markets extended their downturn in Q2 2022, shedding an additional \$1T dollars in market capitalization due to [macroeconomic headwinds](#) and the [crypto credit crisis](#). The specter of out-of-control inflation, combined with the growing effects of the war in Ukraine, led to a broad-based sell-off in a wide range of tradable assets. With [whispers of an impending recession](#), panic and fear likely drove many asset correlations to record highs. According to data from [Skew.com](#), BTC's 30-day correlation with the S&P 500 rose to a new 4-year high of 82% during this period, breaking previous highs of 77%.

Given this bearish macroeconomic backdrop, the crypto credit crisis that followed had a severe impact on markets. There was a domino effect, sparked by the [UST depeg](#) in May, followed by the [large scale liquidity crisis involving stETH](#), and the eventual insolvency of [hedge fund Three Arrows Capital](#) and lender [Celsius](#). This ultimately led to a more than 50% drop in total crypto market capitalization.

Markets reacted to concerns over contagion when [BlockFi](#) and [Voyager](#) announced they were impacted by the collapse, as well as rumors of insolvency of institutions such as Tether and Huobi plagued headlines. Although recent bailouts from industry players such as [FTX](#) and Binance helped markets regain some footing, new cases of insolvency have cropped up every week and the extent of the interconnectedness of the leverage in the space is still being discovered.

Although the industry was (and still is) in the midst of a crypto market correction, projects rooted in long-term utility gained momentum and sustained interest. Several crypto companies raised funds and touted large valuations – Magic Eden [raised \\$130M in Series B](#) funding with a valuation of \$1.6B and gaming investment firm Animoca Brands [announced its investment portfolio](#) is worth over \$1.5B. Notably, developers continued to build on the XRP Ledger (XRPL) with a strong focus on NFTs and metaverses in anticipation of the [XLS-20 amendment vote](#).

## NFT Spotlight

The NFT market slowed down alongside broader crypto markets, [but total volumes still surpassed \\$12B](#). In June, Uniswap [announced the acquisition of Genie](#), the first NFT marketplace aggregator, expanding its products to include both ERC-20s and NFTs, and allowing users to buy NFTs across all major marketplaces. [OpenSea added support for Solana NFTs](#) to accommodate collectibles from the second largest NFT ecosystem outside of Ethereum.

[Ethereum Name Service \("ENS"\)](#) was in the spotlight as a frenzy for three and four digit domains caused ENS to surpass Bored Ape Yacht Club in trading volume in April. The launch of [10K Club](#), an exclusive web3 social club for holders of 000-9999 domains, made headlines after 000.eth, one of the original ENS domains minted two years ago, was [sold for an astonishing 300 ETH](#).

## The XRP Ledger (XRPL) in the NFT Space

Last quarter, French luxury fashion house Balmain announced a [global partnership with mintNFT](#) to kick start its brand in the metaverse. Together, they are bringing the first fashion NFTs to the carbon neutral XRPL. In addition, iconic British performance car brand Lotus partnered with NFT PRO to [bring automotive NFTs to XRPL](#). The partnership marks the car brand's debut in the Web3 space by creating a community that merges Lotus customers, automotive enthusiasts, NFT collectors, and crypto fans.

## Creator Fund Momentum, Wave Two Open for Submission

Through Ripple's [Creator Fund](#), creators building NFTs on the XRPL can receive the technical, financial and co-marketing support to engage with their communities. To date, creators have received funding for NFT projects spanning across gaming, metaverses, entertainment, art, and more. These projects demonstrated clear utility, and creators who received funding included [Zion Clark](#), a wrestler, elite wheelchair racer, and Netflix documentary star; [Jessica Ragzy](#), a contemporary artist, entrepreneur and LEGO Master; [Women Helping Women](#), an advocacy group that prevents gender-based violence and empowers survivors; and [Chef Cecy](#), a PancakeSwap designer and artist.

For those who want to get involved with Ripple's Creator Fund, the application process for Wave 2 is now [open](#).

### *XLS 20 Update*

Ripple upgraded its servers to version 1.9.1 of [rippled](#), the reference implementation of the [XRP Ledger \(XRPL\)](#) protocol, and configured its [four validators](#) to *vote in favor* of activating the XLS 20 amendment on XRPL Mainnet.

In line with the company's [previous](#) comments on performance and scalability, Ripple conducted [extensive testing](#) to ensure that the proposed NFT code is stable, scalable and performant in the face of the additional transaction volume anticipated by native, on ledger support for NFTs. As a result, Ripple believes that the XRPL can support the extra transaction load at scale.

Ripple proposed [XLS 20](#) to introduce native NFT support to the XRPL and provide developers access to NFT minting, trading and burning functionalities. XLS 20 would also bring advanced features like automatic royalties, co ownership of assets and more without the need for smart contracts.

While Ripple is supportive of XLS 20, the outcome of enabling XLS 20 is up to the collective XRPL validators.

### *Project Clio*

Concurrently, the XRP Ledger Foundation and Ripple [released version 1.0.0 of Project Clio](#) which can be used to help scale the XRPL and its load capacity, while providing additional stability. This XRP Ledger API Server is designed to offer the [rippled API](#) at scale. This will allow for countless XRPL apps and projects to query the ledger and access the data they need to run their businesses without negatively impacting the performance of the core ledger. This will become increasingly important as the XRPL developer and user bases grow over time.

### **XRPL Interoperability**

Last quarter saw the expansion of a number of independent interoperability initiatives. Multichain [continued to play a key role](#), partnering with [Sologenic](#), [Aesthetes](#) and [OnXRP.com](#) to expand bridging services across chains.

Q2 also saw the [launch of onAVAX.com](#), the first cross-chain DeFi platform for XRPL and Avalanche native assets. [onAVAX](#) leverages the Avalanche protocol in collaboration with Multichain to bridge assets between chains. This allows XRPL asset holders to bridge onto the EVM-compatible AVAX chain and set their XRPL assets to work within onAVAX's varied DeFi applications. Similarly, Apex, a Node-as-a-service provider, announced that it will build a [bridge from Avalanche to XRPL](#) which is expected to launch in August 2022. The bridge will be open to all DEXs and DeFi protocols through API kits to the XRPL to ensure seamless integration of its dApps.

### **FLUF World, XRPL, and the Root Network**

FLUF World [announced](#) a partnership with Ripple to build the Root Network, a brand new blockchain network that will be integrated into the XRPL. To conduct transactions on the Root Network, the digital asset XRP will be used as the gas token, or fee to perform functions on the network. Node validators can then receive these gas tokens as a reward for producing blocks.

FLUF has already established itself as a key metaverse and NFT player with an active community of over 100K members. The FLUF World is a robust metaverse ecosystem with 14 collections and counting, over 195,000 NFTs minted, and over 340,000 transactions, including the popular NFT collections of Flufs, Party Bears, Thingies, Burrows, Eggs and Rayguns along with the Seekers, Altered State Machine and the AIFA All-Stars.

This partnership marks a significant milestone for several reasons:

- **Novel XRPL Use Case:** The Root Network and XRPL will be closely linked and XRP will be the gas token on the Root Network. Since FLUF plans to migrate all of its collections and metaverses to the Root Network, this 100K+ community will have the opportunity to interact with the XRPL.
- **Ethereum Virtual Machine (EVM) Capabilities:** The Root Network will support EVM smart contracts. XRPL developers will be able to build more programmability into their projects.

- **Interoperability:** The architecture of the Root Network will allow XRPL NFTs and tokens to seamlessly transit between the Root Network with all of its applications, and XRPL and its native DEX.

## Global Regulation

There's no doubt that market volatility was front and center this month showing signs of extreme distress. Off the heels of Terra's collapse in May, news of Celsius and Three Arrows Capital's troubles exacerbated the market crisis, putting crypto in the hot seat with regulators and policymakers.

Financial watchdogs zeroed in on stablecoins as policymakers around the world look to develop frameworks and regulate the industry. Japan's Financial Services Agency [passed a bill](#) that defined the legal status of stablecoins as digital currencies, imposing a mandatory link with the Yen and enshrining the right to redeem them at face value. The UK government [announced its intent to regulate stablecoins](#) under laws governing electronic payments as well as amend existing rules to manage the failure of stablecoins that may pose a systemic risk. In the U.S. the [Responsible Financial Innovation Act \(RFIA\)](#), a bill introduced by Senators Lummis and Gillibrand, would require, among other things, that issuers of stablecoins maintain reserves fully backing their digital assets, calling into question the future of algorithmic stablecoins.

In addition, the RFIA would also give authority to the CFTC to oversee digital asset spot markets, pointing to a larger discussion of U.S. government agency jurisdiction over crypto assets. The SEC and CFTC have been most active in regulating this space, yet jurisdictional limits are not clear. The SEC announced its [intention](#) to double its crypto unit team, but Chair Gensler [experienced industry backlash](#) with the SEC's decision to reject every proposed bitcoin ETP, including those by Grayscale and Bitwise, resulting in Grayscale filing a [lawsuit](#) against the SEC in federal appellate court challenging the decision. CFTC Commissioner Pham and SEC Commissioner Peirce [called for both agencies](#) to collaborate and hold public roundtables on how to regulate the crypto market.

Lastly, the Monetary Authority of Singapore [issued in-principle approvals](#) to three firms to provide digital payments token services, the New York State legislature [passed a bill](#) that puts a two-year moratorium on new permits for power plants involved in bitcoin mining (which Governor Hochul has yet to commit to signing into law) and the EU [reached a provisional agreement](#) on anti-money laundering rules for crypto that would require crypto firms to verify that an unhosted wallet is owned by their customer in case of transfers above \$1000 as well as a [regulatory framework](#) for crypto assets, and crypto asset issuers and service providers.

## Update on the SEC Lawsuit Against Ripple

On July 12, Judge Netburn [denied](#) the SEC's attorney-client privilege claims relating to drafts of a June 2018 speech by former SEC director William Hinman, which included remarks on why he did not consider offers and sales of bitcoin and ether to be securities transactions. The SEC has indicated it will appeal Judge Netburn's decision.

Hinman's infamous speech [given](#) four years ago was taken seriously by the industry as there was (and still is) no clear guidance from the SEC on how they classify digital assets. Responsible industry players have asked for a workable regulatory framework, but the road to regulatory clarity for crypto in the US is still murky at best. When the SEC sued Ripple in December 2020, it was clear that it was an attack on the entire crypto industry and American innovation, and that the SEC was engaging in "regulation by enforcement." That campaign continues.

Most recently, the SEC's "regulation by enforcement" campaign took the form of an [enforcement action](#) against a former Coinbase employee and two alleged co-conspirators, whom the SEC claimed committed securities fraud in connection with certain digital asset trades, even after the DOJ brought criminal charges against those individuals, yet [declined](#) to charge securities fraud on the very same conduct. What the SEC did, in effect, was put Coinbase on trial for trading unregistered securities without suing Coinbase or explaining why it decided that a subset of digital assets were "securities" when others were not. This creates havoc.

The inconsistent application of undefined rules hurts consumers, markets and innovators. Coinbase [highlighted](#) the need for clarity in its petition asking the SEC to begin rulemaking on digital asset securities. A current CFTC Commissioner also



said the SEC's case was a "striking example of 'regulation by enforcement'" and urged a transparent ruling process; as she put it, "regulatory clarity comes from being out in the open, not in the dark."

We continue to push hard for a speedy resolution of the SEC lawsuit against Ripple and look forward to proving that Ripple did not violate securities laws. That is important not just for Ripple, but as we said from day one, it is important for the entire industry.

#### FINCI Leverages On-Demand Liquidity (ODL), Ripple Enters New Market

Ripple announced a partnership with FINCI, a Lithuanian money transfer provider, to deliver instant and cost-effective retail remittances and business to business (B2B) payments using ODL, which leverages XRP for crypto-enabled cross-border payments.

FINCI is Ripple's first customer in Lithuania and the partnership represents the opening up of a new market for ODL enabling FINCI's customers to make seamless payments between Europe and Mexico.

Q2 2022 was a record quarter for On-Demand Liquidity as volume grew considerably with over 9x YoY growth. Customers continued to expand the use of ODL for use cases beyond traditional remittances or individual payments, with treasury flows and bulk payments accounting for more volume on the network.

#### Disciplined, Responsible Stakeholders: Q2 Sales and Purchases

Last quarter, total XRP sales by Ripple, net of purchases, were \$408.9M vs. \$273.27M USD the previous quarter. Ripple has continued to engage in sales solely related to ODL and these volumes have ramped up substantially as Ripple's ODL business expanded globally.

Sales Summary ( <i>dollars in millions</i> )	Q1 2022	Q2 2022
Total ODL-related sales*	1,354.29	2,125.92
Total purchases	1,081.02	1,717.02
Sales ( <i>net of purchases</i> )	273.27	408.90
Global XRP volume	Q1 2022	Q2 2022
ADV XRP ( <i>dollars in millions</i> )	1,105.29	862.59
Total XRP volume ( <i>dollars in billions</i> )**	96.83	78.50
Net sales as % of total volume	0.29%	0.47%

\*All ODL-related sales are attributed to the growth and adoption of ODL

\*\*Note: Figures were compiled using the CryptoCompare API for daily TopTier aggregate volumes which reflects total XRP volume in dollars by exchanges that CryptoCompare lists in the TopTier.

Ripple has been a buyer of XRP in the secondary market and expects to continue to undertake purchases at future market prices as ODL continues to gain global momentum.

Total sales by Ripple, net of purchases, ended the quarter at 0.47% of global XRP volume according to CryptoCompare TopTier (CCTT) volumes.

### Leases

Certain wallets that are being used for XRP sales also provide short-term leases to market makers and participants. This is worth noting given they are often incorrectly interpreted by market participants as sales. Leases are ultimately returned to Ripple. The total amount of leases outstanding in Q2 2022 was 115.3 million XRP.

### Reported Volume and Price

#### XRP Price and Volume



XRP price and volume declined due to broader macroeconomic cues and idiosyncratic developments mentioned in the crypto market summary above.

Volumes have declined 22% QoQ to an ADV of \$862M down from \$1.1B.

### Escrow

In Q2 2022, three billion XRP were released out of escrow (one billion each month) in line with prior quarters and the official escrow arrangement. In total, 2.3 billion XRP were returned and subsequently put into new escrow contracts throughout the quarter. For more information on the escrow process, see [here](#). Note: All figures are reported based on transactions executed during the quarter.

### The Stand is Finally Out of Tacos

On July 17, Jed McCaleb sold the last of his XRP in his “[tacobstand](#)” wallet. For context, he originally owned 9 billion units of XRP in 2012 when the XRP Ledger was created. Read [more](#) about Jed’s ownership of XRP and the distribution of one of the largest individual holdings of the digital asset.

### Building with the XRP Ledger Community

Last quarter, there were a total of 114.6M transactions on the XRP Ledger with \$58.3B via 126.5 billion XRP in volume. The community continued to create and advance more projects and apps to address a variety of use cases.

### Update on the XRPL Grants Program

Last quarter, 36 new awardees [were selected in Wave 3](#) of the XRPL Grants program. Ripple saw a record number of applications—with more than 175 received from 30+ countries globally—with awarded projects receiving nearly \$3M in total funding. Projects covered a wide span of categories including a free version of an AI/ML risk engine via API, geolocation mapping, e-commerce, coupons, tipping, online payment solutions, and NFTs and gaming. Please [see the full list of attendees](#) of XRPL grant awardees.

Applications were reviewed and finalists participated in interviews with a committee of [18 judges from around the world](#), experts in blockchain and their respected fields, including judges from Ripple partners, Forte, Coil, Gatehub, and academics from University Blockchain Research Initiative (UBRI) partners. The program plans to open applications for Wave 4 in August 2022.

### Spotlight: Peersyst Technology Partners with Colombia

Last quarter, Peersyst Technology [inked a deal with the Colombian Government](#) to record and register land registry rights in Colombia. Property title searches are still a cumbersome process and mostly paper-based. By putting the registry on the blockchain, it will greatly accelerate property transactions, spurring the domestic economy.

Peersyst is bringing white-label blockchain products and services to the region, and has selected the XRPL for building out these solutions. The first use case will be a Digital Asset Notarization software built on the XRPL and will be the registry of land awards for the Colombian Government. Peersyst Technology was an awardee of a [Wave 2 XRPL grant](#) for a separate NFT project.

### Ripple Commits \$100M to Carbon Markets

Ripple announced [its commitment](#) of \$100M to carbon markets. The funding will accelerate carbon removal activity and help modernize carbon markets through investments in innovative carbon removal companies and climate-focused fintechs. In addition, the funding will continue to support new functionality and developer tools that enable carbon credit tokenization as core NFTs on the XRP Ledger. Ripple has already partnered with field-leading carbon removal companies and carbon market makers including Xange.com, a climate-focused fintech (backed by the UN), which is building its carbon credit verification, tokenization and exchange functionality on XRPL.

*This post was updated on July 29, 2022 from its original version.*

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