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Brad Garlinghouse
Chief Executive Officer
Ripple

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Moderator: James Hasso
Chief Executive Officer
One 44 Advisory

Introduction

President Barbara Van Allen

Hello and welcome to the 832nd meeting of The Economic Club of New York. I'm Barbara Van Allen, President and CEO of the Club, and it's a pleasure to be here with all of you. I can see that there's a lot of excitement around this event today and we're delighted to see that. We also have a group that's even bigger than this online. So I'm just totally delighted that this day is where we are. I want to extend a warm welcome to students joining us from William and Mary College and Mercy University.

The Economic Club is proud to stand as the nation's leading platform for economic, social, and political discussions. Actually, frankly, we've been doing this, as many of you know, for over a century. And we have a real standard of excellence that continues up to and includes today.

As part of our Digital Currency Series, we are pleased to continue to provide insights into that important area of our economy with our distinguished guest, Brad Garlinghouse. Brad is the CEO of Ripple and a member of the Board of Directors. Prior to Ripple, he served as CEO of the file collaboration service Hightail. He also, from 2009 to 2012, was President of Consumer Applications at AOL. Before that, he had several executive roles at Yahoo from 2003 to 2008, including Senior Vice President.

Earlier in his career, he helped pioneer the VoIP industry as CEO of Dialpad Communications. He also served on the boards of companies, including Ancestry.com and Tonic Health, which was acquired by R1 RCM. Brad earned a bachelor's degree in economics from the University of Kansas and an MBA from Harvard Business School.

Today's format will begin with a conversation moderated by Club Member James Hasso. James is the CEO of One 44 Advisory, and we're certainly honored to have him serving today as our moderator. The program is going to conclude promptly at 1 p.m. As a reminder, the discussion is on the record, and we do have media both in the room and online. Now, without further ado, please join me in welcoming to the stage Brad and James.

Conversation with Brad Garlinghouse

BRAD GARLINGHOUSE: Sandy O'Connor just said to me that introduction makes me seem like a grownup.

JAMES HASSO: Well, I think you just celebrated a birthday. You're only 55, and I'm 55 two weeks ago.

BRAD GARLINGHOUSE: Happy Birthday also.

JAMES HASSO: Too many birthdays in January and February. Well, thanks for the time. Thank you for being here. There's a lot to touch on. I mean crypto has been in the news everywhere, online, paper, print, everybody's research reports, etc. But I do want to just step back before we jump into that and talk about you a little bit and how you ended up in Silicon Valley, Yahoo and AOL. Kansas was your home, where you grew up, where you were born. Went on to the University of Kansas and then you went off to Harvard Business School and then ultimately Silicon Valley. There's a lot of history there and different elements that you were surrounded by. I guess what did you learn and what did you take with you to Silicon Valley from those experiences, especially because you haven't been back to Kansas but it's still your home?

BRAD GARLINGHOUSE: Yes, I still do, even though I haven't lived in Kansas since 1994 or '95, I still kind of consider it home in a certain way, certainly a very formative part. And I think what I took with me from there that has helped fuel kind of where I am today. I think one of the mistakes that the tech industry sometimes has made is that we all live in a bubble in one way or another. New York's a bubble. Most of Miami now, Miami is a bubble.

Silicon Valley, particularly in the late 90s in the kind of birth of the internet, I felt like there was this bubble around tech that loses sight of what a normal person wants and can benefit from. And I always try to stay grounded with kind of a core group of friends who are kind of, you know, sometimes product advisors, because of my era at Yahoo early on, where you know, Silicon Valley, there is this kind of saying of make sure you are a product in search of a technology, not a technology in search of a product.

And I think sometimes people just get excited about a technology and they just want to deploy it and use it, and you're kind of like why? And that applies, I think, today around some things crypto-related, which we can talk about, and even AI. Sometimes you just say, okay, you could do that, but why? Does that actually help something? Tokenization might be an example, I think, where there should be a lot of excitement, but there's also areas where I don't quite get it.

So the thing I take away from that upbringing and that journey really is, I think, kind of staying grounded to core experiences and what customers want. And maybe also from a leadership point of view, you know, I believe very much in kind of the humility of leadership as opposed to some other models that you see manifest in tech companies.

JAMES HASSO: Like, I guess, going to that point of Yahoo and AOL, I mean you wrote the Peanut Butter Manifesto, which, how old were you when you wrote that?

BRAD GARLINGHOUSE: Oh, my God, well, I was going to pretend how old I was. But that was in 2006 so 20 years ago. So I was 35.

JAMES HASSO: And I guess, how was that received, and why did you do it? And do you think that applies to today running Ripple and what did you learn from writing that?

BRAD GARLINGHOUSE: So I mean, I don't know the average age in the room but, you know, people forget that in the early 2000s Yahoo was the internet. I mean Yahoo has massive market share across Search, email, everything. And around that time, in kind of 2006, I'd say there was some cracks in the ice. Google was around stealing share in Search and expanding into other verticals.

And the story behind the Peanut Butter Manifesto, at the time I was reporting to a guy who was a mentor named Dan Rosensweig, who was the COO of Yahoo. And the *New York Times* had written a critical article about Yahoo at the time. And we had a staff meeting of sorts and everybody was criticizing the *New York Times* as people want to do. And I defended the *New York Times* in this staff meeting, and I think Dan was trying to get me to shut up. And he was like, write it down, write it down. And out came kind of like, okay, I'll write it down.

And the Peanut Butter Manifesto, which I think does apply more broadly than just to Yahoo at the time, but the idea was Yahoo was spreading itself too thinly. Like the comparison that had been used internally is like we're spread around like peanut butter on a piece of bread. And I thought that, like embodied some of the core problems that

Yahoo had. Because Yahoo was trying to be all things to all people and not, I think, staying true to what made Yahoo special, what made Yahoo different. Why should a consumer want Yahoo over other things?

And I believe very much, even today, and that applies to some of the things that Ripple has decided over the years. If you start to spread yourself too thin, you lose sight of who you are as a brand, you know, the core product. And, you know, I think lots of companies can benefit from reminding themselves like what is our true north. What is the most important thing to us and the customer set or persona, or whatever it is. I'm not trying to put words in other companies' mouths. But many companies spread themselves pretty thinly and over time that will erode success.

JAMES HASSO: On that point, we talked about this briefly upstairs, there are so many companies developing AI tools, trading tools, everybody's involved in crypto. There's no legislation around it just yet, really, that creates a more regulated institution around it. I guess the question for you is then, from the internet era, Mindspring, Pets.com, are we going to see many of those casualties when we do get regulations around this? And we can touch on the Clarity Act as well, but the point is does that create debacle when the downturn occurs, when people all of a sudden have to be adults?

BRAD GARLINGHOUSE: Yes, well, look, one of the things that's interesting about crypto is we've had, I don't know, three crypto winters over the past ten years. And, you know, that's never fun to go through, but as a leading industry participant, I always find a certain value in the positive way to them because it kind of flushes out, you know, there's a saying that when the tide goes down, you see who is not wearing shorts. And, you know, that happens in many industries. In the crypto industry, you certainly have seen that. You know, some spectacularly, like FTX, some less known that also, you know, were important, informative to resetting the industry towards a better focus on what problem are we solving for whom.

And look, as we talked about earlier, the last few weeks or even the last few months, the crypto market has been in, you know, maybe you could call it a crypto winter. I still view that as kind of a net positive. I've seen this now a bunch of times. It is a reset that isn't fun to go through, but each time it has happened, I say with the benefit of those experiences, you end up in a better place afterwards. And I say that both in the context of companies that are more focused on delivering real solutions and the crypto market overall reaching new highs, because I think people see, oh, okay, you have these cleansing moments.

My experience in the late 90s, in the internet space, that was a more spectacular explosion, kind of one time, you know, beginning in the spring, I guess, of 2000, where that was a tough time for Silicon Valley to go through. But to your point, whether it's

Pets.com or what have you, I think oftentimes when you have a new technology, the hype gets ahead of reality. And eventually those have to come into equilibrium. That did it in a painful way for the dot.com bust. I personally think you're going to see the hype around AI, while there should be lots of hype because it's profound and game-changing in various ways, but I also think you're going to see some painful resets.

And, by the way, in comparison to the internet, it's very apt because in the early stages of the internet, some companies were delivering products with negative gross margin, and like were going to make it up on scale. Okay, well, I can predict what's going to happen there. And look, in some ways you have the same thing with AI given how capital-intensive, and I think some people have gotten a little ahead of themselves there.

JAMES HASSO: So thinking about the Clarity Act, some of the downturn in crypto started, it started prior to it not getting passed, or being passed with some push-back. Do you think if some form of Clarity Act comes through, some form of regulation, is that the bottom for the space? I'm not asking you to call, make a stock call, but more so do you think that's really the time you're going to start to see a real bloodbath, right, where guys have to actually spend money on regulation around their entities?

BRAD GARLINGHOUSE: I don't think so. I mean, look, Ripple already spent, we have

75 different licenses around the world. We've spent a lot on licensing already. I actually think the opposite is true. What my experience is, and even I know some people here in the room representing big financial institutions very reasonably in some of the conversations I personally have had with CEOs or very senior people in some of the largest banks, they're still concerned about leaning in because in three years time there's going to be a new, whenever the new SEC Chair comes in, in the future, they don't want a reset, and to go back to what was really a war on crypto led by Gensler.

So I think the Clarity Act mitigates that risk in a really significant way. So I'm very bullish that the Clarity Act will get through. And look, that's in large part because the White House is pushing very hard. There was a meeting yesterday at the White House. Stu Alderoty, the Chief Legal Officer at Ripple, represented Team Ripple there, but it also had very senior people from some of the leading banks. You know, as got covered pretty well, we were pretty darn close to the Clarity Act going into the banking community markup process, which would have been a very big positive step that got stalled. The thing I would say about that is let's not let, kind of public outrage around certain things that could maybe be better masquerade as representing the whole industry in a certain way.

And what I mean by that is mostly, like I think it's so clear that clarity is better than chaos. And the Clarity Act as written, it's not perfect. If anybody in here has ever seen a perfect piece of legislation, like there's things I don't love about it, but let's not let perfection get in the way of progress. Ripple has been a big advocate of kind of pushing that through because of our journey. We got sued by the SEC, had a very painful four years.

And although we have that clarity, a federal judge ruled in our case that XRP is not a security. That's clarity. The industry does not have clarity. And whether we like it or not, the fortunes of Ripple kind of rise and fall a little bit on the fortunes of the crypto industry. We want the industry to do well, and so we have been big advocates of getting this passed. I'm still, I'll give it an 80% by the end of April it's signed.

JAMES HASSO: So on that note, I guess when you think about banks, and you're an advocate for banks working with you. Last year you brought on Bank of New York Mellon as one of your custodians, your stablecoin, correct?

BRAD GARLINGHOUSE: Yes.

JAMES HASSO: And I think you've been a real advocate, and you also have a conditional charter from the OCC on the bank side. Would you buy a bank? Would you team up with a bank in a way, because you have 4,200 in the country. Half, ____ of them owning deposits, over half. Would you take on a bank as a partner only to get a lot of their internal infrastructure, which is antiquated, and tie yours to it? Or do you want to just partner with many, move forward and see where that shakes out?

BRAD GARLINGHOUSE: I'm going to dodge part of your question.

JAMES HASSO: I figured you would.

BRAD GARLINGHOUSE: Okay, so look, Ripple took a contrarian and controversial strategy approach to how we went to market early on and that made us unpopular in crypto. Early on, Ripple said banks are our customers. If we want these technologies to have the biggest impact on the largest number of people, banks are where, the touch point for people in their financial services relationships. I think the earliest days of crypto, and I will say in advance, I think this has changed, evolved a little bit but not entirely, the earliest days of crypto was a very anti-bank, anti-government, let's build a parallel universe.

Ripple always took the point of view that we're going to be a bridge between what we would now call trad-fi, or traditional finance, and de-fi, decentralized finance. We've always been trying to build bridges between those two because we think we can bring these technologies to traditional finance in a way that they then can scale and provide cheaper, better, stronger, faster services to their customers.

Now, I mean, like would we, today banks are our customers. We have lots of financial institutions around the world, payment providers, you know, everybody from HSBC and SocGen, all the way down to smaller players you've never heard of doing payment processing between the Philippines and Singapore.

We do have a conditional OCC charter which is really for, almost belt and suspenders regulatory oversight for our stablecoin business. We launched a stablecoin business 13 months ago. It stands at about number five of the largest stablecoins now, in just over a year, we're very proud of. But we went kind of the extra step of having regulatory oversight, both to the New York Department of Financial Services, the Trust License. Then we also went and applied for an OCC Charter which we now have conditional approval on.

We think that uniquely positions us as almost over-regulated, but we want that. Because we work with institutions, we want them to look at us as going above and beyond to make sure there is that level of oversight so there's no question about, you know, is the stablecoin back to 1 to 1, is it, the attestations on a regular basis about those backings? We think that's important if we want stablecoins to impact in a positive way – corporates, banks, what have you. And I'm going to skip the question will we ever buy a bank, for our customers.

JAMES HASSO: I guess circling back, if the Clarity Act does go through, say by the end of April, do you anticipate adoption? And where do you see it in the supply chain? Where do you see tokenization happening first? Industry, product set? And how quick do you think the banks, small and large, will start to adopt some form of it with some regulation?

BRAD GARLINGHOUSE: So I'll answer the first part around, like the impact of the Clarity Act passing, and the good news is we do have some data we can look at here. So the Genius Act was the stablecoin legislation that passed. President Trump signed it at the end of July or early August. That was an unlock for sure. And it provided the absolute clarity for banks to lean in, for CFOs to lean in, in a way that I think there was nervousness. And we definitely saw a big uptick in stablecoin activity after that became law. I think that's going to continue to apply in a big way in 2026.

And it's partly because, you know, if you're on the board of a company or the CEO of a company, you're asking your CFO or Treasurer, hey, are we using stablecoins or could we use stablecoins, and how would that help? And there's a bunch of ways stablecoins are more efficient. You know, one of them is simply 24/7 ability to move those. And if you're an active business moving faster and faster, being able to make a payment on a Sunday afternoon sometimes is important.

So I think the Genius Act as an example of unlocking more demand is an example of what I think will happen in the Clarity Act. If we have more clarity and certainty around what are crypto assets, what's a currency, what's a security, what's a commodity, it allows us to use these technologies and for large financial institutions to lean in further than maybe they already have.

You asked the last question; I forgot what the last question was.

JAMES HASSO: Just on the product set, so when you think about a product use case or base case, is there anything specific that you think about that could quickly adopt it?

BRAD GARLINGHOUSE: Usually when I'm doing these, I try not to give a Ripple commercial. We have focused on payments because we think it's very obvious how these technologies can accelerate payment activity in reliable, faster, cheaper ways. I do think, I'll leave it at that as a commercial. That's what Ripple does, I mean we do other things also. But I do think that tokenization is fascinating in that there's so many examples that I'm sure many are represented in this room, where you have T plus 3 settlement, you have T plus 1 settlement. Maybe you have something faster than that. I know examples that are longer than that. But there are so many examples where the settlement of transactions has a ton of friction and blockchains can remove that friction.

Now, there are examples where I hear that something is being tokenized and I kind of scratch my head, like I don't get it. And again, that's where I feel like, you know, you have kind of a technology in search of a problem versus a problem in search of a technology. But look, Larry Fink is an example where BlackRock has leaned in, in a big way around tokenization. And Larry Fink has gone on record saying he thinks, you know, some huge percentage of assets will be tokenized in one way or another for more efficient management, use, storage, transactions.

I agree with him. I think that we have to focus kind of vertical by vertical and understand those markets in a way, you know, let's say you're going after insurance and how insurance settlement, not just insurance payments but insurance transactions can be more efficient on a blockchain. I, at Ripple, don't know anything about that, the insurance industry. So we're not going to, back to the Peanut Butter thing, we're going to let somebody else do that. But we need experts around insurance to lean into that market and understand these technologies and how they can be brought to bear. I don't know that BlackRock does insurance. I don't know enough about BlackRock in that regard. But there's plenty of examples where BlackRock is an expert, and I think you're going to see it move faster than you will think.

JAMES HASSO: On that point, adoption, tokenization, institutions coming on board, you know, we've watched on numerous reports written about power demand, supply issues, infrastructure. Do you think we have the infrastructure today to even support a real adoption across the board and we're going to start to basically warehouse everything in some data room?

BRAD GARLINGHOUSE: Yes, I mean I guess the good news is AI has so much more demand than crypto. So first of all, let me parse that question a little bit. Different blockchains are now kind of referred to as L1s. Layer 1 blockchains have different ways they validate transactions. Probably the most well-known because bitcoin uses it is called proof of work. Proof of work requires a lot of power to validate transactions and that makes it harder to scale from both a number of transactions per second, cost per transaction, and speed of transaction. I'm very much of the view bitcoin is not going to solve a payments problem at scale because the underlying architecture prevents it from scaling it that way.

Other blockchain Layer 1s use different technologies to settle, to validate a transaction. So Ethereum moved from proof of work to what's called proof of stake two or three years ago. That reduced the energy consumption of managing Ethereum blockchain by like 98%. Massive improvement in scalability and efficiency.

XRP uses something completely different called a consensus mechanism to validate transactions. And to manage and validate an XRP ledger, it's like a lightbulb. Like this is very efficient, and it's like another 98% more efficient than proof of stake. So that's one of the reasons why XRP is so well positioned around payments because if you want something to scale and be able to handle tens of thousands, hundreds of thousands transactions per second and at very, very low cost per transaction, you need something like that.

And again I believe in a multi-chain world there are going to be many winners in the crypto industry. I don't think XRP is great for all of the different things we might talk about here. For payments it's pretty darn good.

JAMES HASSO: Right. And I guess on that point, just, I know I'm going back to infrastructure a little bit, actually talk about actual real estate, like building, do we have enough energy infrastructure around it? Do you see, even demand for power and AI and all the other markets that are coming up the food chain currently, do you see it as a problem?

BRAD GARLINGHOUSE: Well, like I said, I will give an answer to this.

JAMES HASSO: More general.

BRAD GARLINGHOUSE: Yes, I'm outside my expertise. When I feel like I'm an expert at something, I'll comment. I don't think I'm an expert at this. I will say I think the U.S., from a national security point of view is underinvesting in energy infrastructure, period. I kind of get why there's not a lot of love for wind. I kind of get that. Solar, I do not understand why we're not leaning into more solar activity. But again, this doesn't affect Ripple per se, but I think again if I were just to zoom out and say, as a citizen of the United States, I think we need to lean in more to energy production. And if you compare the energy production growth in China versus the U.S., it's not a great chart.

JAMES HASSO: So just pivoting over the XRP as a crypto currency, and people talk about Ripple, they actually tie it to XRP. So when Ripple did a raise of about $500 million at the end of the year, everybody thought – I shouldn't say everybody – many people said, oh, the coin is going to go up. Another $500 million raise. The press is reporting a $40 billion valuation on Ripple. How do you explain the differences and how you exist together and apart, so people understand that a little bit more? Because it feels like there's a lot of...

BRAD GARLINGHOUSE: Confusion, yes. In some ways, you know, we haven't talked about it yet, but the lawsuit against Ripple by the SEC is, the genesis is partly represented in this question. Ripple is a private company that raised capital recently, as you said, but even going back to 2012. We did a seed round, did a Series A round, did a Series B. And that's, you become a shareholder in Ripple.

XRP is an open source blockchain that trades on lots of exchanges around the world. Literally billions of dollars a day is trading. Buying XRP doesn't give you any governance or rights and title over Ripple, the company. Now, Ripple owns a lot of XRP. We own about 40% of the supply. We use it in our technology stack to solve problems around payments. We have a very robust, we made a big acquisition last year in a company, a billion-dollar acquisition in a company called GTreasury. GTreasury is one of the, it's the second largest Treasury management platform. Think about it as a dashboard for CFOs or Treasurers to manage their liquidity around the world, deposits in lots of different banks, and to manage payments.

They orchestrated $14 trillion of payments last year. When you think about, you know, how do we use that distribution channel? Zero percent of that is crypto or stablecoin-enabled today. And how do we bring these technologies that Ripple has been building with the technology around XRP to that type of audience. So there is lots of, there has been confusion about Ripple versus XRP. We've always tried to provide that clarity. But I also want people to understand, we care about XRP. We're doing a Community Day today online talking to the XRP community not just about what Ripple is doing, but what lots of other things are going on with the ETFs, digital asset treasuries around XRP, things like that.

JAMES HASSO: Well, I'm a shareholder, so hopefully that works today and it goes up, make a lot of money. With that said, I guess thinking about the future of XRP, and again Ripple, as you venture out and do more things and the Clarity Act goes through, you said the lawsuit as it relates to the SEC, are you concerned of a future where there is a change in the SEC and you have to deal with some things that you dealt with, because you were very vocal, you were very public about it. You didn't hide your feelings. As you said, there's a change of control and somebody else at the helm in three years. Do you worry about that at all?

BRAD GARLINGHOUSE: Look, I don't worry about it for Ripple. You know, we spent $150 million on our legal fight with the SEC. And just so this group understands, the SEC's core allegation was that Ripple sold, and actually they sued me personally, that we sold unregistered securities when we had sold XRP. Now, keep in mind that we were using XRP for payment flows, meaning something called a crypto sandwich. That you take a dollar, you buy XRP, you move the XRP to Mexico. You sell the XRP. You buy Mexican pesos. Was that a securities transaction?

What I find most objectionable, and by the way, your core question, I'm not worried about it because we fought the fight. We won in federal court. End of story. A federal judge wrote as part of her opinion, XRP in and of itself is not a security. That's all I care about. We're good.

Do I think the industry at large runs the risk of a future SEC Chair who wants to expand their power base that they might go and fight with some other people about it? Yes, I think there's that risk. It's the reason why I think the Clarity Act is important. But I think, I'll also say, you know, look, there's lots of people in the financial services industry here and I'm sure I'm not the only person in the room that's dealt with SEC stuff, but you know, when the SEC gets weaponized, not in the spirit of like, like there was no allegation of like someone lost money. There's no allegation, it's just like what are we doing here? Like what are we fighting about?

And then for, this is all probably not public and I get on my soapbox here a little bit so I apologize. But as you said earlier, I'm not bashful about this one. You know, I went personally into the SEC three times to talk about what Ripple is doing. No lawyers. I mean as I've described here, we're using these technologies to solve payments problems. I never once thought to myself, oh, these might be securities. Never once did at any of those meetings someone say these might be securities. For two years later then to come back and say, hey, what you've been doing is an unregistered sale of securities and you personally, which by the way, for me personally to have broken the law, I would have had to know that I was doing that.

And it just feels like, like okay we should have a government that acts in good faith. That did not feel that, kind of Team Gensler was acting in good faith, and it just doesn't sit right. And so I hope that as we go forward and we have amazing civil servants that take positions like the head of the SEC, and I think Paul Atkins, the current guy, has been incredible. Not just for our industry but just almost from a pragmatic reasonable approach to regulation.

Let's focus on bad actors who are doing bad things and stealing and fraud and those types of things. I think that has been a big step forward, and I'm hopeful that that continues. But again your core question, I don't worry about this at Ripple because we fought the fight and we got the answer we needed. But I still do worry about it for the industry.

JAMES HASSO: Just in general. So I guess just going back to last year's acquisitions, capital raise, you did five or six acquisitions last year.

BRAD GARLINGHOUSE: We did five acquisitions. Two big ones, three smaller ones.

JAMES HASSO: And I guess, is this your year of integration? And where do you see some pockets that you want to fill, potentially smaller fill-ins versus a larger one?

BRAD GARLINGHOUSE: A bank. (Laughter)

JAMES HASSO: I was just focusing on product, not a specific name, but if you have the ticker, just give it to me...

BRAD GARLINGHOUSE: So I mean the first part of your question, yes, 100%. We just had our board meeting last week. We have one board member here, Sandy O'Connor. And, you know, the first half of this year is very much focused on, we just added 500 employees and, you know, two big acquisitions made. One, I mentioned earlier, GTreasury, very successful Treasury management company, growing very nicely. Zero percent distribution or access or usage of crypto. They've got 1,000 different companies who are on their platform for Treasury management that we now have as an opportunity to present, oh, you could use a stablecoin in this. And if they're moving money into Peru, we could say, well, look, we can see your pricing using this isn't great. You can use Ripple's payments to go faster, cheaper, what have you.

The second big acquisition, which is just over a billion dollars is a company called Hidden Road. Hidden Road was the largest non-bank prime broker. And they do have a significant piece of business around; a quarter of their business is crypto and digital asset related. But, you know, what we found is that if we want crypto to move into the more traditional finance and to have the Citadels of the world lean in more, the Jane Streets lean in more, you need services and prime brokerage infrastructure that they expect at the scale they expect with a capital structure that makes them feel safe to use them as a counterparty.

And so Hidden Road was doing very well and growing nicely on its own, but they had a limited balance sheet. You know, Ripple has, we have about $4 billion of cash in the bank. We have, even at today's crypto prices, somewhere around $50 or $60 billion of crypto on the balance sheet. And so the ability to grow a prime brokerage business with a larger balance sheet is significant. And we've already seen that revenue run rate triple since we announced that acquisition last April.

The smaller acquisitions were all called tuck-ins of various sizes. One, a stablecoin payment company called Rail. Two was a small custody company called Palisade based in the U.K. And the third was a small company in Australia called Solvexia, which is kind of a tuck-in into the GTreasury product suite.

JAMES HASSO: Is it fair to say, I think you said you have 75 licenses currently, and these acquisitions are well ahead of use case, poorly speaking. Are you really investing for an infrastructure that's much larger in five years? If you were a public company, you'd get probably beat up on a conference call every quarter. But because you're private, are you taking that initiative now to actually invest forward, looking at five years or ten years out?

BRAD GARLINGHOUSE: For sure. You know, I'll start this by saying, look, I think the public markets are a compelling opportunity to access to capital. I thought the Circle IPO was a watershed moment for kind of the, particularly the stablecoin market. But I'll also be honest, I'm glad I'm not Jeremy Allair. The stock traded all the way up to $260. I haven't looked in the last few days, but I think it's around $50, $55 now. That's tough. I mean just, you have employees that have joined who now have strike prices of options, and it's just, I mean honestly from a morale point of view, I'm very glad we're private. It has given us a lot of degrees of freedom to do things. Now, at some point in the future do I think that may change? Sure, you know, as we grow into it.

But we do think of ourselves, you know, as a platform-enabling company that is using these technologies to deliver financial services industry, better, faster, stronger. Whether it's the prime brokerage business, the Treasury management business, stablecoin, payments, these are all things that we think we can do better because of our technology underneath that. But what we've found for a lot of these customers, they want one-stop shop. They don't want to go and work with five different vendors. They can find most of these services in one place.

JAMES HASSO: And geographically where are you today versus where you want to be if you're not there yet?

BRAD GARLINGHOUSE: Well, I will say, one interesting thing that happened, so when the SEC sued us at the end of 2020, and roughly 80% of our employees were U.S.-based. By the time the SEC lawsuit concluded, we had about, the non-U.S. part, we basically didn't hire anybody in the U.S. for years because the U.S. customers were kind of frozen. If you were a U.S. financial institution and you were trying to do business with a company being sued by the SEC, it doesn't go over real well. Now outside the U.S. they're kind of like, look, whatever, we don't understand why the SEC is saying this.

Kind of a funny story. One time I was in the Middle East with a Ripple employee who kind of ran our Middle East business. We were meeting with the CEO of, I think it was a Saudi Arabian bank. And I started the whole meeting by, it was in the middle of the SEC lawsuit, I started the meeting by talking about the SEC. And at the end of the meeting, the bank CEO was like we don't care. If you can solve our problem, that's a better place. So it was kind of an Aha.

But for years we didn't hire much in the U.S. So today we have about 16 offices around the world. Our largest office is still San Francisco. Our second largest is London. And that's partly because during those years we hired a lot in London, to a lesser degree in Singapore and Dubai. But there are a lot of financial institutions around the world, moving money around the world that are leaning into these technologies.

And one of the unfortunate byproducts of, I think, Gensler's war on crypto here in the U.S. is the U.S. still really isn't the leader in crypto regulation or crypto adoption. That may shift, and I think this White House obviously has leaned into and used the expression, we want to make crypto great, you know, make the crypto capital of the world the U.S. And we certainly support that as a U.S. company, but we're not there right now.

JAMES HASSO: So I guess going back to that point of regulation and the Clarity Act gets passed, what about other parts of the world? You're saying some countries are ahead of us. I guess where's regulation in place to some degree where you feel more confident that they'll be ahead of us?

BRAD GARLINGHOUSE: Well, I'll start by saying, what do you consider the financial capitals of the world? So I mean New York clearly, London, Tokyo, Dubai trying to emerge more and more so, the UAE, Singapore for sure. Singapore, the Monetary Authority of Singapore, MAS, was one of the first to really start to adopt clear rules and regulations around crypto and licensing. The UAE is, I would say, close behind in providing that clarity. And again, clarity gives you the ability, whether you're an entrepreneur, an investor, you can invest with certainty. Without that clarity, that's an added risk factor as an entrepreneur or as an investor.

And for a bunch of years, when entrepreneurs in the crypto industry would come to me and say, hey, I'm thinking about starting X, Y, and Z, what do you think, one of the first things I would say is don't start it in the United States. Because that means you're going to be subject to the uncertainty and unknowing and the weaponization of that uncertainty. And, if instead, you incorporate it in a jurisdiction that had clear rules and that gives you – you may not like all the rules, but at least you know what they are.

In the U.S. it was like, well, we're not going to tell you what the rules are, we're just going to sue you. And that's not a great way to encourage an industry, which I do think these are formative, you know, transformational technologies that are going to continue to have a big impact on financial services. And if we want the U.S. to continue to be a financial capital of the world, we have to lean into them, which is why I think this White House is doing a good job.

JAMES HASSO: So, I guess that same question, if someone came to you today, under this administration, what would you tell them?

BRAD GARLINGHOUSE: Well, before or after April? I think the Clarity Act is going to get done...

JAMES HASSO: Assume the Clarity Act gets done.

BRAD GARLINGHOUSE: Then for sure the U.S., I mean in terms of access to capital, entrepreneurship, I would definitely say the U.S. And look, I truly say without any reservation, the vast majority of entrepreneurs and CEOs in the crypto industry, they want to be regulated. They want to be good actors. They just need to make sure they understand what that looks like. And when they don't have clarity, then they get, you know, accused of things, and you're like, what are you talking about?

JAMES HASSO: And on that point, just going back to countries where you are and you basically pointed out several that you want to be in if you want to actually be part of the financial hub, are there any markets developing that you see as an opportunity where you're not there yet?

BRAD GARLINGHOUSE: Well, look, with 16 offices around the world, I can't think of a place that we don't have coverage. I mean partly you think about the different frictions of different markets. So Africa is clearly a market with various payment problems and remittance, well, frankly we're talking about remittances or for corporates. And so we don't have a lot of activity in Africa today. We service that kind of out of either Dubai or London. I think that will change over the next, say five years. You know, maybe we'll have an office somewhere on the African continent over time. We do already have customers there. We just recently announced a customer in South Africa. So we see that continuing to grow, but it's not maybe a market we've leaned into from an office and team on the ground.

JAMES HASSO: And, you know, going back to XRP independent of Ripple, I guess RLUSD, can you give a base case for that so people understand it a little better, what the base case is for that.

BRAD GARLINGHOUSE: So a stable coin is simply a digital representation of a dollar. The largest by far is a company called Tether. Tether has intentionally, I think it's fair to say, decided to not be domiciled in the United States. They have recently, under the Genius Act, are working on launching a U.S. stablecoin. The second largest is Circle, USDC, it has about a $70 billion market cap of their stablecoin activity.

Ripple leaned into this market, some would say we were a late participant. We realized about two years ago, it was actually almost exactly two years ago, we were minting 20% of all USDC for our institutional payment flows. So what that means is that when we are with our customers moving money through either XRP or other digital assets, we would use stablecoins. And in using our stablecoin, we didn't have our own, we were using USDC. And we're like, well, wait a minute, if we're minting 20% of all of this, why don't we just do this ourselves?

Now I still hope, even though we compete to some degree with Circle, I want them to be successful. They're more focused on consumer use cases. Ripple is more focused on institutional use cases. And, you know, I mean, yes, is there overlap, and do we compete to some degree? Sure. But again, there's not going to be just one. So I continue to root for Circle and I want them to do well.

But I think that the base case for us, I mean today the total stablecoin market is about $300 billion of market cap. Tether probably represents 60% of that and then Circle represents 20% or so. And then it gets smaller after that. We've only been in the market for 13 months. We're already the number five largest fiat-backed stablecoin. I'm very optimistic, partly because of things like we've done around the prime brokerage business.

Accepting RLUSD, our stablecoin, as good collateral, or even giving better terms for using RLUSD as collateral, oh, that's interesting. So how much collateral should we hold on behalf of clients on our prime broker platform using RLUSD versus other things? Or by the way, incentivize using XRP on that. So our acquisitions have certainly been very strategic in how do we do more things to improve the overall XRP ecosystem? And RLUSD is part of that because if you have more liquidity on chain, that's good for everyone building on the XRP ledger.

JAMES HASSO: And just going back to your employee base globally, I think one of the things that has been challenging for some tech companies, they've talked about it, hiring. Are you hiring more outside the U.S. right now? Or are you seeing the talent you need coming into the U.S., getting the proper visa, etc.?

BRAD GARLINGHOUSE: Last quarter, about 55% of our hiring was U.S.-based and 45% was non-U.S.-based. That actually has, I mean if you do the math on what changed, well, we won the lawsuit and now it's like, okay, are the U.S. markets more unlocked? We're going to hire more domestically. And really that's – I mean we have a small office in Miami where I am – but really that's New York and San Francisco.

And we have, I mean, look, Ripple is fortunate. We are clearly one of the leaders in the crypto industry and we have a lot of, I think somebody told me this week, we posted a job, we had 50,000 people apply for that job. Which actually becomes a problem because how do you filter through 50,000 resumes? Like you can't. That becomes its own problem. I pointed out to the team, I said, how about we stop buying ads on LinkedIn? We don't need to advertise that.

So we're fortunate and a leader and people are intrigued by what we're doing, and they see the growth. They believe that these are technologies that will transform financial infrastructure. They want to be a part of it. And frankly, a lot of people who are in traditional finance, they see this as the future. I mean yesterday morning I had breakfast with a super-talented woman who had spent 25 years at one of the major banks. And was like, hey, is there a role on Team Ripple? And that's a great problem for us to have. Hiring is not our biggest problem these days.

JAMES HASSO: And it's really, what you're pointing out is hiring people from the old economy, right, and bringing them to the new economy, utilizing their talents. Like you just said, you don't know insurance. I'll bring somebody over that knows insurance and build around that. And I guess on that point, and I know I'm going to go back to something that you're probably going to say, no, let's not go there, but I guess when you picked Bank of New York as a partner, how was the exercise with that? The only reason I ask is did the regulators on their side have to get involved? And did they have to get approval? Or was it just seamless for you?

BRAD GARLINGHOUSE: Look, for us it was pretty seamless. But again, that has been a journey. And I'm not talking about BNY specifically, I mean more generically. I mean I remember, I joined Ripple in 2015. In that first six months, I remember sitting down with the CEO of one of the big four banks in Australia. And he had come to San Francisco and was trying to learn about crypto, and again this is early. And he said to me, he's like, you know the smartest thing you guys have done is you didn't put the words bit or coin in the name of your company. And, look, it's funny, and I get it. But it is interesting, there still is a brand problem around crypto to some degree. And, you know, Ripple keeps trying to make sure people understand how we are playing in that ecosystem.

And so using BNY as the example, but again generically, I think a lot of banks have gone through their own journey, you know, Warren Buffett called it rat poison. Jamie Dimon calling it something close to that, but now that's softened. I mean Larry Fink certainly, he would admit, he changed his view. And I think it takes a minute, whether it's a red pill or a blue pill or whatever you want, for people to understand, like, oh, okay, there are ways these technologies are going to improve financial infrastructure at scale.

And so, look, there's a tremendous leader, the CEO of BNY I think is a very forward-thinking, leaning into technology, and we've had a great partnership with BNY. And we think there's more we can do, both at BNY and other banks as well.

JAMES HASSO: But do you consider yourself a crypto company?

BRAD GARLINGHOUSE: Well, it's a really good question because I think, going back to, you and I are both a little older. I don't know how old you are but you're probably...

JAMES HASSO: Same age as you.

BRAD GARLINGHOUSE: So when I was in the internet space in the late 90s, we used to call these things internet companies. And over time we don't call Amazon an internet company anymore, right? And so I think we're going through a moment in time where we call things, like it's a crypto company. I don't go out, and I don't know exactly what I said in the first ten minutes, but I hope I didn't say, oh, Ripple is a crypto company. I rarely say that. We're a financial services infrastructure platform that happens to use blockchain and crypto technologies to solve the customer problem.

I mean if you called me a crypto company, would I reject that? No, that's fine, like whatever. I don't consider it a bad word. These are profound technologies that are changing a lot of things. But again, I think as you fast-forward five, ten years, we're not going to call these things crypto companies. We're also not going to call these things AI companies, because I think these are just enabling technologies that solve some sort of problem. And the problem is what we should be describing, as in again, we're delivering financial services infrastructure solutions at scale and our customers are financial services institutions.

JAMES HASSO: I mean the question really was not about actually putting you on the spot to say you are or not, but more so because all of your acquisitions are more, broadly speaking, fin-tech-related to solve payment processing, transaction processing, etc. And it's not as if you were out going, you're not absorbing a bunch of crypto companies out there, etc. So that's why really the question.

BRAD GARLINGHOUSE: Well, but it's also, I mean you're in the investment business, you know, it's also, I can buy a non-crypto company on a multiple that's way more attractive. You know, I think some of the crypto companies buying other crypto companies, like what are you doing? Like you're in the echo chamber and you're adding to the echo chamber. We've got to expand the echo chamber. And I think that's exactly, both with Hidden Road and with GTreasury, you know, bringing on, bringing a Citadel, and again I'm using them as an example, the Jane Streets, I mean all these are massive institutions we want to bring into the tent.

GTreasury, you know, they count American Airlines as a customer. Like do you think American Airlines was using crypto or stablecoins? They probably still aren't today. But guess what, now there's going to be a really good opportunity to do so. And again, I'm not speaking on behalf of American Airlines. I don't want anybody to interpret that. But the opportunity exists for us to do that.

JAMES HASSO: You've been drawing a lot of parallels to the internet age and today.

BRAD GARLINGHOUSE: It's because I'm old.

JAMES HASSO: And all the failures that could come in this cycle versus the one we saw in 2000. I guess on that point, you know, we talk about predictive markets as a new area, right? It's grown rapidly. Those companies are raising a lot of capital. They're worth, I think one of them is worth $10 to $12 billion right now, at least in market valuation. What are your thoughts there? And I guess, is that, would you bridge yourself into those areas? Like trading, etc.?

BRAD GARLINGHOUSE: Ripple is not a consumer company. We will not go to be, you know, onboard those things. Now, could we, and will we enable things like clearing around prediction markets and they have various services that are needed around liquidity where we could actually be an infrastructure platform from which they could benefit? Yes, that makes sense.

Like my own personal view, and again this is kind of like the question about power generation in the United States. I'm not an expert here. I do think, well, I am unfortunately an expert at some of the regulatory stuff and the battle that we went through. I think it's going to be a really interesting next few years, or let's say four or five years, to see how we should regulate prediction markets in a way that is appropriate. What do I mean by that? Well, right now I think the two leaders, Kalshi and Polymarket, have leaned into getting licensing from CFTC. Great.

But what about material non-public information? You know, I have not personally bet on some of these things. I am totally fascinated by it, and it's only out of, you know, I'm busy so I haven't spent time on it. But I'm told you could bet on, like what was the first song Bad Bunny was going to sing. Okay, there were at least 100 people that knew that answer in advance. Okay, so can they trade? Well, I think the answer legally is yes. Does that feel right? I mean it doesn't to me. And again, I don't have a dog in this fight. I'm just more, hopefully as a non-bubble Midwestern person looking at this and just saying that doesn't sit right with me. That does feel like material non-public information. Now that's specific to SEC laws, not commodities, but it feels like something is going to have to give there.

JAMES HASSO: On that point, then I guess, you know, private assets are now allowed in certain retirement accounts, pensions, people looking at 401Ks, etc. What do you think about crypto there? Do you think it should be something that an average investor can just bet their retirement on?

BRAD GARLINGHOUSE: Well, I mean, look, I don't think you should bet your retirement on any single asset. Right? So the last sentence there, like wait, wait, wait, hold on a second. Do I think that people should have access to crypto assets in their retirement account? A billion percent absolute yes. And, in fact, look again back to the direction of travel, Vanguard in early December announced they were supporting the ability to have crypto assets in retirement accounts on the Vanguard platform. That was a shift. That was a change in a big way. I mean I think Vanguard is the second largest asset manager in the United States. I'm not sure if that's true. It's somewhere around there. Somebody in this room probably knows. It's big. People in this room are smarter than me on lots of things.

But, you know, do I think having non-inflationary assets that I should as a consumer be able to invest in? Of course. I mean it's kind of like saying, you know, should we let people have gold in their retirement account? Yes. I mean just because gold has been around longer doesn't make it, you know, better or safer in some way.

JAMES HASSO: Right. I guess my point was more so the education aspects of it. And I think we're getting more sophisticated with products and we have less sophistication when it comes to somebody who is not in the financial business.

BRAD GARLINGHOUSE: That presumes there are other things in people's retirement accounts they actually do know something about. I mean that's a little bit depressing. But like I think there's always a need to educate more consumers about financial investment opportunities. And look, again it's over my skis in terms of, I think what's going on with the Trump account stuff – I don't even know what we're supposed to call it – but like whatever those $1,000, I think that's awesome. And bringing people into and understanding investment opportunities and giving people a small starter, I think it's phenomenal. And I give credit to the Dell family. It'll be super interesting how that plays out.

But, you know, again, to your earlier question, should we restrict that capital from not being able to access crypto? That feels weird. Would I say that we probably shouldn't have people putting 100% of it in crypto? Well, of course. But I would say that about a lot of different asset classes.

JAMES HASSO: Just in closing, because I know Barbara is going to have to come up in a sec, just going back to Yahoo, AOL, what did you leave behind there, and you'll never take into the Ripple organization or part of your DNA or your group?

BRAD GARLINGHOUSE: Well, look, I mean to borrow from what we talked about earlier, you know, the Peanut Butter Manifesto, if you're really bored this afternoon, go Google it. It's still worth the read. It has lived, you know, I haven't read it in the last year or two. But the lessons around focus and commitment, I even said it on the XRP Community Day this morning, when a group of talented people get focused and committed to solving a specific set of problems, it's profound what you can achieve.

And that certainly has been true at Ripple in the last year or two, kind of getting the SEC lawsuit behind us has allowed us to play offense again, which has really unlocked some great things. So I feel like what I took away more than anything from is really understand what you're focused on, what you're going to be the best at and stay true to it over a long period of time and things will pay off.

JAMES HASSO: Well, thank you very much for your time. This was great.

BRAD GARLINGHOUSE: Thank you very much.

PRESIDENT BARBARA VAN ALLEN: Yes. So again, thank you both for being with us today. That was a very insightful conversation. I want to just confirm we have some events coming up. And if you want to check the back of your program that's at your place, you can see that the schedule is pretty big. We also want you to continue to stay tuned to the calendar as we'll be adding more events.

Next up, Monday, February 23, Club Member and Vice Chair of Korn Ferry, Alan Guarino, will be participating as part of our Author Series, the *Greatness Code*. And that will be a webinar event. That will be followed Tuesday, the 24th, by a luncheon in person with Nora O'Donnell, Senior Correspondent at CBS News. And then we have a full March. We mentioned Jeremy Allaire joining us, the CEO of Circle. Jon McNeil, the former President of Tesla, and on and on.

So again, before we close as we always like to do, we want to thank those members of the Centennial Society that are in the room today as their contributions help to provide the financial backbone of the Club and enable our programming.

So again, thank you everyone for joining us. For the many folks online, we'll say goodbye and thank you for being here today. For those in the room, please enjoy your lunch. Thank you.