

US penalizes developer of virtual currency XRP

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The Justice Department said Ripple, a developer of banking payment

technologies backed by leading Silicon Valley investors, had not adhered to rules governing money services businesses, especially to prevent money laundering.

Resolving a criminal investigation into its subsidiary XRP II LLC, the Justice Department said Ripple agreed to pay the penalty and bring its XRP exchange within existing regulations for money exchanges.

The agreement "will resolve allegations that Ripple and its subsidiary failed to follow the law while engaging in the exchange of virtual currency and that the entities failed to establish and maintain an appropriate anti-money laundering program," the agency said.

Ripple has developed XRP into the second largest [virtual currency](#) by market capitalization, estimated at \$253 million by Coinmarket.com.

That is less than a tenth the size of Bitcoin, but the [company](#) developed it for its own Ripple exchange network, an open-standard technology for banking transaction clearance based on a distributed network.

Ripple says the technology allows banks to make faster payments "in more currencies to more markets—all with lower risks and costs than is possible today."

The company is backed by top venture capital firms including Andreessen Horowitz, Google Ventures, IDG Capital and Lightspeed Venture Partners.

"Ripple Labs Inc. and its wholly-owned subsidiary both have acknowledged that digital currency providers have an obligation not only to refrain from illegal activity, but also to ensure they are not profiting by creating products that allow would-be criminals to avoid detection," US Attorney Melinda Haag said in a statement.

"We hope that this sets an industry standard in the important new space of digital currency."

While not regulating the existence of virtual currencies, the US government has already cracked down on several Bitcoin markets for allowing [money laundering](#) and drug purchases using it.

Ripple said in a statement that it had always sought to comply with financial regulations and cooperated with the DOJ probe.

"An early company in an emerging, undefined fintech category, Ripple Labs was one of the first to proactively build out a compliance and risk program," said spokeswoman Monica Long.

"We have not willfully engaged in criminal activity, nor has the company been prosecuted."

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