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Target: **METACO**

Buyer:  ripple

Ripple Acquires Metaco For \$250M

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Transaction Overview

On May 17th, 2023 Ripple announced the acquisition of the digital asset custody technology provider, Metaco for \$250M.

Target: Metaco

Metaco provides digital asset custody infrastructure to global banks, fintechs, regulated exchanges, and large corporations. Metaco's suite of products, branded Harmonize, is used by large financial institutions such as Citibank, GazpromBank, BBVA, and BNP Paribas, allowing their clients to trade, settle, transfer, and custody digital assets. Metaco's technology uses a combination of Hardware Security Modules (HSM) and Multi-Party Computation (MPC) technologies, allowing for a mix of hot, warm, and cold digital asset storage.

Metaco's closest competitors include PolySign, Fireblocks, Copper, HexTrust, Anchorage Digital, Zodia Custody, Etana, and Komainu.

The company was founded in 2015 in Switzerland by Adrien Treccani, CEO, and Nicolas Dorier, CTO and now has over 100 employees. Metaco has raised a total of \$21M in capital over three rounds, with their latest round taking place in June 2020 at a \$46M post-money valuation, where they raised \$17M in a Series A. Investors include Giesecke+Devrient Ventures (lead), Standard Chartered Ventures, Swisscom, Avaloq, FiveT Fintech, Zürcher Kantonalbank, and SIPCA Holdings.

Buyer: Ripple

Ripple specializes in blockchain-based international payments. Their cross-border payment solution, RippleNet, has processed nearly \$30B worth of volume and 20M transactions since it was first launched. Clients of Ripple include large institutions and governments including SBI, Nium, Trango, Siam Commercial Bank, and the Monetary Authority of Bhutan.

Investors in Ripple include GV, Accenture Venture, a16z, Founders Fund, and Lightspeed, with a total of over 86 investors. Ripple's last disclosed equity valuation was \$15B in January 2022's secondary sale of equity. XRP, the native cryptocurrency of the Ripple ecosystem, has a token market capitalization of \$23B, making them the 6th largest cryptocurrency by market capitalization globally as of May 17, 2023.

Ripple is currently undergoing a lawsuit with the SEC that was filed, in 2020, against Ripple alleging that they raised over \$1.3 billion through an unregistered, ongoing digital asset securities offering.

Ripple was founded in 2012 by Chris Larsen, Executive Chairman, and Jed McCaleb. Brad Garlinghouse has been the CEO since 2017 and leads the firm's ~900 employees. The company is headquartered in San Francisco, California.

This is the first major acquisition by Ripple and the firm is an active strategic investor, having invested in 15+ private firms since 2021.

Transaction Parameters

Ripple acquired Metaco for \$250M in its first major acquisition. Metaco will become a wholly-owned, independent unit under Ripple, led by the current Metaco CEO, Adrien Treccani.

Comparable digital asset custodian acquisitions include Galaxy Digital | GK8 (\$44M, [M&A Alert](#)), Bitpanda | Trustology (ND, [M&A Alert](#)), Celsius | GK8 (\$115M, [M&A Alert](#)), Genesis | Vo1t (ND), PayPal | Curv (~\$200M, [M&A Alert](#)), Voyager Digital | Ethos.io (\$4M), Binance | Trust Wallet (ND), and Coinbase | Xapo (\$68M).

Strategic Rationale

Ripple seeks to transform the \$156T cross-border payment market, has initiatives focused on the emerging opportunity for Central Bank Digital Currencies (CBDCs) and has aspirations to allow the issuance and settlement of any type of tokenized asset as that market develops. A common theme among each of these capabilities is ensuring the safekeeping and security of these payments and digital assets. Metaco's custody technology and related products allow Ripple to protect client assets, control the evolution of the technology and related services as needs dictate and represents a potentially attractive new revenue stream as assets under custody scale.

Architect Partners' Observations

There are several dynamics within the custody market that suggest further strategic transactions will likely occur.

The first is regulatory guidance, particularly in the US. Recent regulator announcements suggest that only registered Qualified Custodians (QCs) are allowed to custody digital and crypto assets. Few QCs exist today. Further, regulators have guided that the function of custody needs to be separated from execution venues, which while consistent with how traditional assets like equities are handled, flies in the face of current common practice for crypto assets.

Second, companies like Northern Trust, BNY Mellon, State Street, JP Morgan, and Euroclear have built substantial custody businesses protecting traditional assets over the past 100 years. Many of these businesses have been inhibited, by both regulatory uncertainty and brand risk, from aggressively entering the crypto and digital asset custody markets. This will change and represents both a threat and an opportunity for those building specialized digital and crypto asset custody businesses.



Third, the crypto winter we've experienced has effectively put a pause on assets under custody (AUC) growth which has meant flat or declining revenue for many existing crypto custody specialists, requiring financial staying power and conviction that an upturn is coming.

Sources

PitchBook, Ripple Website, Metaco Website Press Release