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Target:  **Fortress Trust**

Buyer:  **ripple**

Ripple Acquires Fortress For Undisclosed Sum

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Transaction Overview

On September 8, 2023 Ripple announced the acquisition of the licensed and regulated digital asset infrastructure firm, Fortress, for an undisclosed amount of cash and equity.

Target: Fortress

Fortress is a licensed and regulated digital asset infrastructure firm offering custody, payments, compliance, and asset tokenization to crypto exchanges, NFT marketplaces, Fortune 500 businesses, and fintech startups. Fortress has three core offerings: 1) custody services for RIAs, trusts, and retirement accounts, 2) payments via credit card, wires, and crypto, and 3) compliance services. Other services offered include crypto liquidity, fraud mitigation, vault of electronic data, and trustee for real estate deeds, securities, or other asset documents.

Fortress Trust holds a Nevada Trust license, which is one of the more stringent regulatory frameworks in the United States. Fortress had strategic partnerships with financial institutions and risk management platforms like BankProv (NASDAQ: PVBC), iTrustCapital, and Sardine. Other customers include Banxa (TSE: BNXA), Solana, Fireblocks, MX, and Quicknode. Fortress currently serves over 250,000 accounts.

Fortress' closest competitors include Prime Trust, Paxos, FireBlocks, Apex Crypto, PolySign, Copper, and Anchorage Digital.

The company was founded in 2021 in Nevada by Scott Purcell, CEO and CTO, and Anthony Botticella, Chief Trust and Operations Officer, and now has over 100 employees. The founder, Scott Purcell, also founded Prime Trust and served as CEO until 2021. Fortress has raised a total of \$22.5M in capital from seed funding in August 2022. Ripple was an early minority investor of Fortress. Other investors include Ayon Capital (lead), Soaring Investment Management, and Mighty Capital.

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.

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.

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 secondary sale of equity. XRP, the native cryptocurrency of the Ripple ecosystem, has a token market capitalization of \$23B, making it the 6th largest cryptocurrency by market capitalization globally as of May 17, 2023.

In August 2023, a federal judge announced a ruling on Ripple's 2-year lawsuit with the SEC stating that Ripple may not be a security depending on the context in which it is sold. The SEC filed the lawsuit against Ripple in 2020, alleging that they raised over \$1.3 billion through an unregistered, ongoing digital asset securities offering. This ruling was seen as a clear win for Ripple and the crypto asset industry, though the situation is still ongoing.

The Fortress acquisition follows Ripple's acquisition of digital asset custody technology provider [Metaco for \\$250M](#) in May 2023. Ripple remains an active strategic investor, having invested in 15+ private firms since 2021, one of which includes Fortress.

Transaction Parameters

Ripple acquired Fortress for an undisclosed mix of cash and equity, with a representative inside Ripple publicly stating the acquisition price is lower than their \$250M acquisition of Metaco.

The key catalyst for this acquisition appears to be a Fortress custody vulnerability that was exploited. On September 11th, it was reported that the acquisition was accelerated as part of a bailout for Fortress. On September 7th, Fortress disclosed that four of its clients had been "impacted by a third-party vendor whose cloud tools were compromised" which resulted in a \$12M-15M loss of custodied crypto assets. As part of the acquisition, Ripple has assumed responsibility for any client losses related to this security breach.

Comparable digital asset infrastructure acquisitions include Galaxy Digital | GK8 (\$44M, [M&A Alert](#)), Coinbase | One River Digital Asset Management (ND), Bitpanda | Trustology (ND, [M&A Alert](#)), Galaxy Digital | GK8 (\$44M, [M&A Alert](#)), Genesis | Vo1t (ND), PayPal | Curv (~\$200M, [M&A Alert](#)), Voyager Digital | Ethos.io (\$4M), Bakkt | Apex Crypto (\$200M, [M&A Alert](#)), and Coinbase | Xapo (\$68M).

Strategic Rationale

Ripple continues to execute on their crypto asset custody initiatives, complementing their Metaco custody tech acquisition with Fortress' U.S. regulatory licensing and fiat to crypto on/off ramp capabilities. The combination positions Ripple to continue building their institutional, regulated cross-border payment infrastructure.



From a regulatory perspective, Ripple adds Nevada to its growing list of regulatory licenses, which now includes 31 U.S. States along with Singapore, signaling the importance of a global licensing footprint.

Architect Partners' Observations

Ripple grows their institutional, regulated infrastructure presence by acquiring Fortress. Ripple was in discussions to acquire Fortress prior to the custody breach as there is significant value in Fortress' licensing, on/off ramp capabilities and client list.

Fortress was reportedly the biggest beneficiary of new clients following the Prime Trust situation because Fortress was one of the few companies who could provide a similar easy-to-use product with high-touch customer service. Ripple simultaneously brings these clients into their expanding ecosystem and takes one of the few institutional, regulated on/off ramp providers out of the market.

We expect increased demand (both commercial and acquisition) for institutional, regulated market participants, especially those related to custody and fiat to crypto on/off ramps.

Sources

PitchBook, Ripple Website, Fortress Website