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PERSPECTIVES by Eric F. Risley

Is tokenization moving beyond experimentation?

This is a persistent topic within Architect Partners. We believe traditional financial services and crypto will become increasingly integrated and eventually difficult to separate. Just like the emergence of the Internet became core to virtually every business, the capabilities inherent within the term "crypto" become normal and "it just is."

Clearly the most notable tokenization success has been stablecoins, effectively creating a digital fiat equivalent, accessible globally. There is zero debate that stablecoins are way beyond experimentation. In fact, stablecoins are now well beyond a crypto trading tool and now play an increasingly large role in cross-border payments, both consumer and business payments, and most simply as a way for non-U.S. citizens to hold U.S. Dollars, the perceived safest and most stable currency available.

In fact, "stablecoin" innovation continues with new structures like Figure's recently SEC-approved YLDS, Arca's ArCoin, BlackRock's USD Institutional Liquidity Fund, and Franklin Templeton's OnChain U.S. Government Money Fund, all structured as "old-world" securities for good reason – regulatory clarity and the ability to share yield with holders. Today the leading stablecoin providers either don't have such capabilities (e.g. Tether) or have only recently acquired them (e.g. Circle with its acquisition of Hashnote). This may well change with a variety of global regulators weighing in; however, until then many of the most potent eventual competitors, banks and other financial institutions, have been "patient" or, as noted above, experimenting with alternative structures. The stablecoin competition has barely begun.

What about tokenization of securities? The value proposition could be argued to be even more compelling than tokenizing fiat currencies. The promise of global investor access for both primary issuance and secondary trading, virtually instant settlement, a single blockchain-based shared ledger, smart contract-based servicing, and definitive holder tracking allows immense cost savings. Securitize, among others, has distinguished itself as a leader in conveying this vision; however, those companies that have built themselves as specialists in origination, distribution, trading, safekeeping, and servicing of securities have an immense interest and advantage. Again, regulation has been somewhat of an inhibitor; that is changing. This week, a Canadian holder of the securitization flame, Polymath, and a clean-energy specialist were each acquired. Both are relatively nascent businesses but are surfacing the securitization topic once again.

RECENT CRYPTO M&A TRANSACTIONS (click here for full AP M&A Tracker)

Target	Acquirer	Transaction Summary	M&A Alert
Digiledge	mintOak	**Transaction Value:** $3.5M **Rationale:** Expand payment solutions and simplify access to digital tools and financial services for SMEs **Sector:** Payments Infrastructure **Target Description:** Provider of integrated digital services specializing in digital commerce, payments, blockchain, and fintech solutions, including UPI interoperability and merchant payment systems	○
ENCORE	GUILD	**Transaction Value:** ND **Rationale:** Expands data-gather capabilities within the gaming solutions business **Sector:** Developer Tools & Infrastructure **Target Description:** Developer of a fan ID protocol that converts fandom into a digital asset by verifying user engagement, rewarding interaction with points, and updating on-chain fan scores	○
KEYFI	One Click Crypto	**Transaction Value:** ND **Rationale:** Enhances One Click's incentive programs, user experience and improves yield optimization **Sector:** Investing & Trading Infrastructure **Target Description:** Developer of financial software that unifies multiple DeFi platforms, allowing users to swap, stake, rebalance, deposit, and withdraw assets in a single place	○
NIDUM.AI	bitsCrunch	**Transaction Value:** ND **Rationale:** Allows bitsCrunch to launch a decentralized AI ecosystem **Sector:** Developer Tools & Infrastructure **Target Description:** Blockchain explorer software developer offering zero cloud dependency, open-source and decentralized AI solutions that track computing contributions and maintain user control	○
Northstar Financial Services LP	Plural Energy	**Transaction Value:** ND **Rationale:** Allows Plural to have a vertically integrated regulatory stack for tokenization **Sector:** Brokers & Exchanges **Target Description:** Brokerage service provider that facilitates securities transactions for clean energy investments and ensures due diligence and regulatory compliance via tokenization	○
POLYMATH	analytixinsight	**Transaction Value:** ND **Rationale:** Expands cryptocurrency datasets and ML and AI capabilities, expands European presence **Sector:** Investing & Trading Infrastructure **Target Description:** Developer of a securities token platform that streamlines the issuance and trading of blockchain security tokens through partnerships for legal and regulatory compliance	○

OVERALL CRYPTO M&A ACTIVITY LEVELS

Past Eight Years

2018	2019	2020	2021	2022	2023	2024	YTD
61	60	59	180	205	147	189	45

Past 52 Weeks

52 Weeks Ago — 03/03 - 03/09