Architect Partners

Eric F. Risley	Managing Partner	efr@architectpartners.com
Adlee Heshmat	Senior Financial Analyst	adlee@architectpartners.com
Tina Pan	Terml Analyst	tina@architectpartners.com

September 21st - September 27th (Published September 28th)

PERSPECTIVES by Eric F. Risley

The urgency to own it

For the past fifteen years, fintechs have often been elegant and effective applications that solved a consumer or business problem and built enviable customer bases and volumes. Well-known examples include Chime, Wise, SoFi and Mercury.

However, each was dependent upon others' infrastructure. Over time, this dependency began to demonstrate risks and cost ramifications. A good case study in risk was the broad dependency on companies like Synapse and Wirecard. Both failed suddenly, with Synapse freezing roughly $200 million of customer funds and Wirecard freezing hundreds of thousands of customer accounts. As a fintech scales, cost ramifications tend to evolve and owning and controlling becomes a viable option. The economic impacts can be significant: SoFi's deposits now cost 155 to 190 basis points less than its former warehouse lines, worth over $600 million a year.

Stablecoin-native payment businesses are subject to many of the same dependencies, many relying upon the same sponsor banks and payment businesses for core infrastructure and a new group of crypto-native companies like Zero Hash, Paxos and MoonPay for further capabilities.

We are now in the midst of a "we want to own it" trend. Examples within more traditional fintech include bank acquisitions like SoFi | Golden Pacific and Chime | Stride, and Stripe's merchant acquiring bank charter in Georgia, which opened for business in May. Notably, Chime is keeping its second sponsor bank, since renting still pays better for payment card interchange.

Crypto is seeing its own version of this. Stablecoin orchestration transactions include Stripe | Bridge, Ripple | Rail and Kredete | Gravv, announced this week (Gravv was built by Kredete's own leadership). On- and off-ramp transactions include Circle | Tazapay, Polygon | Coinme and OSL | Banxa (Architect Partners advised Coinme and Banxa). Then there is the striking trend of OCC charters, with Circle, Ripple, Paxos, BitGo, Fidelity Digital Assets, Bridge, Crypto.com and Coinbase receiving national trust charter approvals and Erebor a full bank charter.

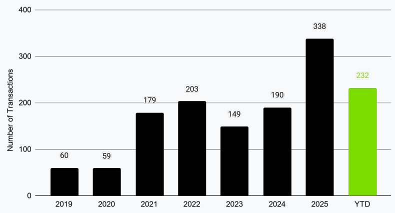
Five years ago, owning was rarely an option. The OCC approved those nine charters in under six months, and the Fed's payment account rule is expected by year-end. The game plan has become relatively clear for fintechs and crypto-native businesses. It's just a question of when and how to "own it." This will continue to be a very important trend driving M&A for the foreseeable future.

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

Target	Acquirer	Transaction Summary	M&A Alert
North Capital Private Securities	MoonPay	**Transaction Value:** $60M **Rationale:** To add SEC-registered broker-dealer, ATS and transfer-agent charters for tokenized securities **Sector:** Investing & Trading Infrastructure **Target Description:** SEC-registered BD ATS & transfer agent for issuing & trading tokenized private securities	●
coinglass	CoinMarketCap	**Transaction Value:** Undisclosed **Rationale:** To add derivatives positioning data alongside CoinMarketCap's spot price pages **Sector:** Data & Data Analytics **Target Description:** Crypto derivatives data platform tracking open interest, funding rates, liquidations, and options	○
Gravv	kredete	**Transaction Value:** Undisclosed **Rationale:** To own the stablecoin settlement layer beneath its diaspora payments app **Sector:** Payments Infrastructure **Target Description:** Stablecoin infrastructure API for FX, collections, & payouts on bank and blockchain rails	○
crest	Citrea	**Transaction Value:** Undisclosed **Rationale:** To make a private Bitcoin wallet the main gateway for users and liquidity into Citrea **Sector:** DApp: Consumer **Target Description:** Self-custodial Bitcoin wallet with shielding, transfers, and bridge to EVM addresses	○
SPREE	Superlogic	**Transaction Value:** Undisclosed **Rationale:** To bring in-house the stablecoin-backed points tech that Bookit's rewards were built on **Sector:** Enterprise Solutions **Target Description:** Loyalty software for brands to issue stablecoin-backed reward points	○
ENTRAVEL	Superlogic	**Transaction Value:** Undisclosed **Rationale:** To add 27 white-label crypto partners to Bookit, including Kraken, MetaMask, and EtherFi **Sector:** Enterprise Solutions **Target Description:** White-label travel business for hotel and travel booking in exchanges, wallets, & web3 apps	○

OVERALL CRYPTO M&A ACTIVITY LEVELS

Past Eight Years



Past 52 Weeks