ROSENBLATT

Investment Banking – Viewpoint

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Key Insights and Observations from Rosenblatt's 17th FinTech/Crypto Summit

"Momentum Unleashed: The New Era of Opportunity for FinTech and Crypto"

Rosenblatt hosted its 17th annual FinTech summit virtually on Dec 8-9, bringing together investors, financial institutions, FinTechs and Crypto companies. We had three fireside chats and three panels covering a range of topics including Prediction Markets, Crypto infrastructure, Tokenization of assets, and the convergence of TradFi and DeFi.

The entire program with details of all 12 FinTechs showcased are available here, and all fireside chats and panel discussions can be watched on-demand here. This viewpoint shares key insights from the fireside chats and the three panel discussions. (Note: speaker quotes are not *ad verbatim*, they have been paraphrased).

FIRESIDE CHAT WITH SALT/SKYBRIDGE CAPITAL FOUNDER ANTHONY SCARAMUCCI

The fireside chat with Anthony Scaramucci covered a wide range of issues from the state of Crypto markets, recapping 2025 what to look forward to in 2026, Tokenization and CBDCs, and US politics in the New Year.

Recapping 2025 and when asked what was achieved in the Crypto sector, Anthony said we achieved partial regulatory progress through Stablecoin legislation and the Genius Act, but failed to secure comprehensive market structure clarity via the Market Clarity Act. He said the year was marked by "disappointing underutilization" despite technological readiness, with institutional adoption reaching an inflection point but still not fully committed. The passage of Stablecoin frameworks positions payment rails for rapid 2026 expansion, while tokenization of traditional assets remains constrained by regulatory and institutional resistance. Looking towards 2026, he considers it as a bridge year where regulatory education, institutional "sliver strategies," and global fiat concerns will converge to set the stage for mainstream adoption by 2027-2028. The absence of comprehensive market structure legislation means trading platforms and DeFi protocols will continue navigating regulatory ambiguity, potentially delaying institutional capital deployment into these sectors until 2027 or later.

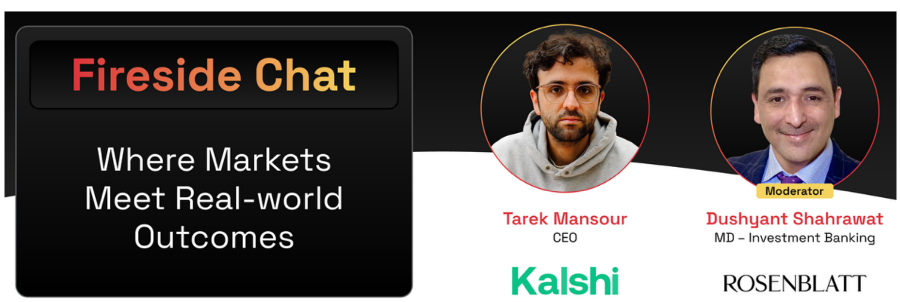
Institutional Bitcoin adoption has reached a critical transition from outright skepticism to strategic positioning, characterized by what Scaramucci terms "getting to know you" allocations. The Wisconsin state pension fund's $156 Mill Bitcoin position serves as the emerging blueprint. Larry Fink's transformation from Bitcoin critic to operator of a $75-80 Bill Bitcoin ETF demonstrates the institutional playbook in action. However, Scaramucci candidly acknowledges that the institutional "hook [is] not fully in the mouth yet".

On **Tokenization**, he said that the 2025 tokenization narrative delivered proof-of-concept implementations but fell significantly short of transformative scale. SkyBridge successfully tokenized $300 Mill in hedge fund assets on Avalanche using the ERC-3643 standard and demonstrated stablecoin payments at retail locations in Bermuda during the SALT conference. These tangible use cases prove the technology functions as advertised. But Scaramucci characterized 2025 as "once again a disappointment as it relates to Underutilization," noting that expected tokenization of stocks, bonds, and Blockchain-based settlement rails failed to materialize at meaningful scale. The bottleneck lies not in technical limitations but in institutional and regulatory resistance.

Fiat Currency Crisis Positioning Bitcoin as Sovereign Alternative: Scaramucci's core macro thesis centers on accelerating fiat currency debasement and Bitcoin's emergence as a credible monetary alternative for sovereigns facing currency crises. He said that US dollar has lost 28% of its value since January 2020, gold has appreciated from $35 per ounce in 1971 (when the gold standard was abandoned) to over $4,000 in 2025, and approximately 80% of the world faces fiat currency instability. This monetary debasement is framed as a "regressive tax on the working poor" and reflects Milton Friedman's warning that "all deficit spending is unfunded tax liability".

Strategic Bitcoin Reserve: Scaramucci actively advocates for a US Strategic Bitcoin Reserve but emphasizes that executive orders alone are insufficient—bipartisan Congressional support is required for durability across administrations. He credits David Sacks for taking a one-to-two-year educational approach to convince naysayers rather than forcing implementation, acknowledging there is currently partial bipartisan support. Framing Bitcoin as the 28th element in the US strategic reserve (alongside gold, oil, rare earth minerals, medical supplies) normalizes Bitcoin as a strategic asset rather than speculative investment. Notably, Scaramucci does not advocate for using US dollars to purchase Bitcoin or selling gold reserves—a conservative approach designed to address fiscal responsibility concerns. The strategic intention: long-term policy influence play where successful Strategic Reserve establishment would legitimize Bitcoin institutionally and create sustained demand. Realistic two-plus-year timeline manages expectations while maintaining advocacy position and thought leadership.

FIRESIDE CHAT WITH TAREK MANSOUR, CEO OF KALSHI



Kalshi is evolving from a regulatory-first startup into a $10 Bill prediction market infrastructure provider, anchored on three 2026 priorities: international expansion, brokerage-partner distribution, and continued market diversification. A rapidly crowding competitive field—CME/FanDuel, DraftKings, Robinhood/MIAX, Coinbase, and Polymarket—is validation of the model than an existential threat, reinforcing prediction markets as a durable asset class rather than a niche experiment.

Institutional adoption via brokerages: Kalshi is shifting from a pure consumer platform to a dual-channel model: direct-to-consumer for retail liquidity and intermediated distribution through brokerages such as Coinbase, mirroring CME-style exchange–broker architecture. The Coinbase product and formal Coinbase Custody partnership for USDC-backed contracts illustrate a B2B2C approach that lets Kalshi supply regulated infrastructure while partners contribute users, compliance, and distribution, accelerating institutional hedging use cases over the next 12–24 months.

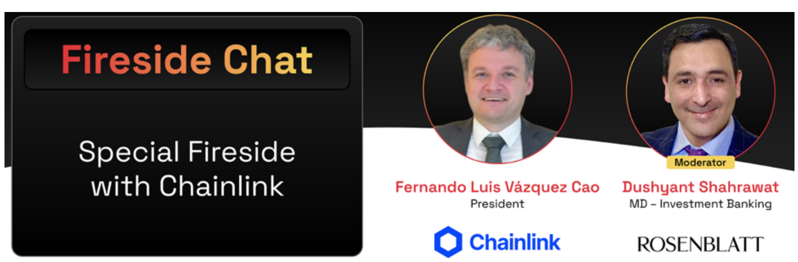
Embedded Blockchain, not "Crypto company": Blockchain is treated as inevitable plumbing rather than core branding, similar to how AI is becoming a background capability rather than a standalone category. Kalshi's strategy focuses on using Stablecoins and on-chain liquidity (via USDC custody with Coinbase and a Swiss capital access partnership) to improve settlement, cross-border payments, and access to Crypto-native capital pools, while maintaining CFTC-regulated status and avoiding the legal gray zones that constrain pure Crypto-native competitors.

Competition as sector validation: Late-2024 and 2025 moves by CME/FanDuel, DraftKings, Robinhood/MIAX, Coinbase, and ICE-backed Polymarket marked a "prediction market gold rush" that confirms product–market fit rather than undermining incumbents. Kalshi's advantage lies in first-mover regulatory approval, liquidity depth, and network effects; as in equities, liquidity and licenses are likely to concentrate volume on a small number of dominant venues rather than fragmenting across dozens of platforms.

Regulatory-first as durable moat: Kalshi spent four years obtaining CFTC approval before launching, sacrificing early market share in favor of building a federally regulated exchange with surveillance, KYC, trade reporting, and market integrity infrastructure comparable to traditional venues. The company's legal victories over federal and state attempts to classify event contracts as gambling have created critical precedent that election and event markets can be treated as financial instruments, lowering regulatory risk for institutions and enabling growth in politically and economically linked contracts.

2026 focus and strategic positioning: Looking ahead, Kalshi's strategy centers on: (1) international expansion to diversify regulatory and capital exposure, (2) execution on a growing brokerage and media distribution pipeline (Coinbase, CNN, CNBC and others), and (3) diversification beyond politics into economics, sports, and culture while preserving its innovation lead. Underpinning these moves is a mission-driven culture that prioritizes long-term legitimacy—using markets to improve probabilistic thinking about the future—over short-term revenue, which has sustained the company through multiple near-death regulatory and competitive shocks.

FIRESIDE CHAT WITH FERNANDO VAZQUEZ, PRESIDENT OF CHAINLINK



The fireside chat with Fernando framed 2026 as the inflection point for convergence between decentralized finance (DeFi) and traditional finance (TradFi), driven by regulatory clarity, institutional demand, and maturing middleware infrastructure. With Chainlink securing over $27 trillion in transaction value and the large majority of Oracle market share, the firm positions itself less as a DeFi protocol and more as the "middleware" and orchestration layer connecting capital markets to on-chain rails. For institutional executives, the core message is that the regulatory pathway is now visible, and first movers integrating Blockchain into existing infrastructure—rather than replacing it—are likely to capture younger client demand and new fee streams.

Regulatory clarity and institutional shift: Under the Trump administration, a more Crypto-friendly policy environment, anchored by SEC Chair Paul Atkins and his "Project Crypto" initiative, is replacing the prior "regulation by enforcement" posture with a rules-based framework. Landmark legislation, including the

GENIUS Act (stablecoin framework) and the soon to be passed Digital Asset Market Clarity (CLARITY) Act, provides statutory foundations for digital assets and establishes shared oversight between the SEC and CFTC, significantly reducing legal uncertainty for institutions. This environment is accelerating the move of players like SWIFT, DTCC, Euroclear, and major banks from pilots toward real production deployments of tokenization and on-chain settlement.

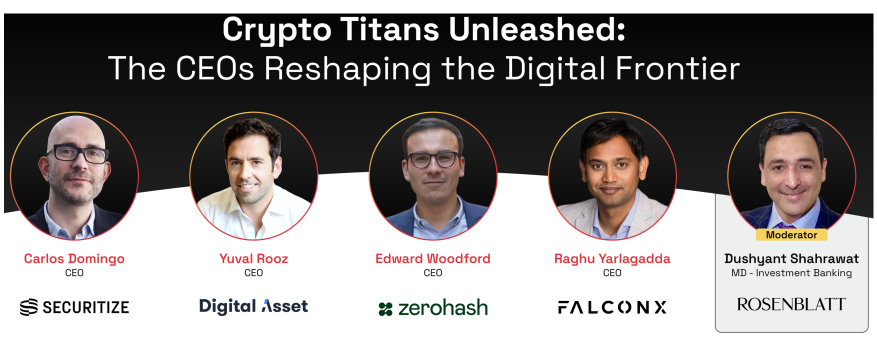
DeFi features embedded into TradFi: A central theme was that DeFi is becoming a feature set inside traditional products, and not a parallel market. Younger investors increasingly expect assets to be usable as collateral, yield-bearing, and fractionalized — capabilities that originate in DeFi but can be delivered through regulated broker-dealers and asset managers. For intermediaries, adding tokenized, utility-rich securities extends the lifecycle of a sale, enabling recurring yield, lending, and liquidity services without ripping out core systems. Institutions that fail to offer DeFi-style utility risk losing Gen Z and younger millennial clients to competitors that integrate these functions into familiar interfaces.

Chainlink as orchestration middleware: Chainlink has evolved from a pure Oracle network into a broader orchestration platform, with the Chainlink Runtime Environment (CRE) and Automated Compliance Engine (ACE) abstracting away multi-chain complexity, compliance, and data integration. This orchestration layer handles market data from numerous issuers, cross-chain settlement via CCIP, and identity/compliance checks, making it possible for institutions to initiate transactions on-chain while preserving existing mainframe and core banking infrastructure. The strategic bet is that value will accrue to middleware that simplifies secure, compliant on-chain workflows—similar to how Red Hat institutionalized open-source adoption—rather than to any single DeFi protocol.

Strategic implications by stakeholder: For traditional financial institutions, the removal of major regulatory obstacles shifts strategy from “wait and see” to “integrate and scale,” with focus on tokenized assets, on-chain settlement, and compliance-aware middleware partnerships rather than building everything in-house. DeFi-native companies should orient toward institutional distribution by strengthening governance, compliance, and user experience, recognizing that capital will flow through brokers and banks that package DeFi capabilities within regulated products. For investors, the combination of legal clarity and Chainlink’s dominant role in Oracle and cross-chain infrastructure suggests that middleware and orchestration platforms may be positioned to benefit disproportionately as 2026 becomes a practical, not theoretical, inflection point for institutional DeFi adoption.

PANEL – CRYPTO TITANS UNLEASHED: THE CEOS REDEFINING THE DIGITAL FRONTIER

Carlos Domingo (CEO - Securitize), Eric Saraniecki (Co-Founder - Digital Asset), Ed Woodford (CEO - zerohash), Raghu Yarlagadda (CEO – FalconX). Note: Yuval Rooz from Digital Asset couldn’t make it at the last minute so Digital Asset’s Co-Founder Eric Saraniecki took his spot. Also, FalxonX CEO was unable to join the panel live and gave a separate interview, excerpts from which are included in this section and further discussion is captured at the end of this viewpoint.



The **CEOs highlighted six forces** reshaping institutional Crypto: regulatory transformation, ETF-driven market structure shifts, consolidation, convergence with TradFi, Stablecoin proliferation, and Derivatives growth. Regulatory clarity via the GENIUS Act and new SEC leadership under Paul Atkins ended years of "regulation by enforcement," allowing the U.S. to reposition as an innovation hub. As Ed Woodford put it, "What has shifted is the desire to make the US the hub of innovation," while Carlos Domingo called GENIUS "the regulatory clarity that we've all been waiting for… ten years in the making."

Bitcoin ETFs now capture roughly 30–40% of U.S. Bitcoin volume, rising to about 45% when including corporate treasuries and private placements, as retail flows through familiar channels like Fidelity and BlackRock instead of Crypto-native venues. FalconX CEO Raghu Yarlagadda framed this as "45% of the market going through what we call traditional wrappers," and noted that "two years ago, we wouldn't have acquired 21Shares because it wasn't the right time." This shift drove FalconX's roughly $11B 21Shares deal, enabling ETF positions to serve as trading collateral and accelerating a vertical-integration race across custody, product manufacturing, and distribution.

Consolidation surged, with about $8.6Bill in 2025 M&A and expectations that "all of centralized Crypto is going to be concentrated in 6–7 mega Crypto companies" over the next two years. Yarlagadda argued that "consolidation will be powerful for customers because they'll have regulated platforms operating at scale," while Domingo emphasized, "This industry is ripe for consolidation… we're excited about having a bigger balance sheet for M&A." Digital Asset's Eric Saraniecki tied this to an "ecosystem of people that built through the difficulty and survived… mature, hardened, very strong companies ready to grow very quickly."

The **boundary between Crypto and traditional finance is quickly dissolving** as tokenization moves from Stablecoins into repo, fixed income, and eventually equities. Yarlagadda predicted that "in 2–3 years, the boundary between Crypto and TradFi will go away… Crypto is just the first application of what we are all doing," while Saraniecki described tokenized deposits as "just the bank service they provide today on new rails." Canton already processes on the order of hundreds of Bills of dollars in daily repo, letting institutions "run their own infrastructure with their own controls, but with protocol-level interoperability as if they were on the same database."

Stablecoins have grown from about $2B in 2017 to more than $200B, with USDC spanning 30+ chains and new issuers quickly reaching scale. Woodford warned of a coming "massive distribution of fragmentation in the stablecoin space" and likened today's environment to early SMS, adding, "In the next 12 months, I'm confident we're going to move to a true interoperability layer." Domingo argued that "stablecoins are a better value proposition because they're neutral," while Saraniecki observed that stablecoins' velocity is not yet higher than traditional dollars because they are still used more for access and collateral than pure payments.

Derivatives now dominate institutional demand, with options volume exploding as markets move away from spot. FalconX, after acquiring Arbelos, became one of the largest derivatives sell-side desks, with Yarlagadda noting, "The market is fundamentally moving from spot to derivatives" and that customers insisted, "I do want to trade with someone on a principal basis." FalconX's solution—"principal but completely delta-hedged"—lets the firm scale a $1.3Bill credit book and complex 24/7 electronic options while avoiding directional bets.

Across the panel, **speakers converged on a shared outlook**: 2026–2028 will be a transformational window where regulation, technology, and political will align. Domingo highlighted the BlackRock tokenized-treasury partnership as "the inflection point" for tokenization, Woodford predicted that "every bank that has a private wealth arm will offer Crypto" within a year, and Yarlagadda argued that "for anyone who can operate at the intersection of regulatory clarity, political will, and great technology, the next 2–3 years will provide rapid financial transformation."

PANEL – MASTERS OF THE BLOCKCHAIN: INSIDE THE MINDS OF CRYPTO PIONEERS

Anton Katz (CEO – Talos), Nathan Macauley (CEO – Anchorage Digital), Sergey Nazarov (CEO – Chainlink), Rob Hadick (General Partner – Dragonfly).

The Crypto infrastructure leaders described **2025 as a historic inflection point for institutional digital asset adoption**. This year, for the first time, traditional financial institutions became the majority of new Crypto clients, enabled by the Trump administration's reversal of hostile policies, passage of the GENIUS Act establishing a federal Stablecoin framework, and a decade of infrastructure maturation. Cross-border B2B Stablecoin payments scaled from negligible levels to over $100 Bill in annual run rate, while the reopening of IPO markets restored exit liquidity and drew traditional investors back into the sector. The convergence of DeFi and traditional finance is actually happening, with institutions accessing decentralized liquidity through compliant channels and positioning 2026 as a watershed year for mainstream adoption.

Sergey (Chainlink) framed the regulatory reset and stablecoin boom as the practical catalyst for mainstream adoption. He argued that "the Trump White House… has completely changed everything in the US," with "stablecoin legislation… a very clear, tangible, practical example" that "greatly accelerates stablecoin generation by various groups that wouldn't have done it otherwise." He emphasized that when payments and tokenized assets can be enforced against real-time data, "you create a world of automated compliance… [that] will take the compliance problem that Blockchains have and turn it into a solution, turn it into a real advantage." Nazarov characterized Chainlink as the connective tissue of this on-chain system: "What Chainlink does is it connects them to each other. It connects them to the data. It connects them to the back-end systems of banks and institutions."

Nathan (Anchorage Digital) highlighted the shift from regulatory hostility to active encouragement. "The Trump administration really reversing course on all things Crypto and really inviting it… to be a legitimate industry… has been a huge boon," he noted, contrasting it with the prior period where "between April 2022 and April 2023, 25 Crypto companies had their bank accounts shut down… Anchorage Digital had to let go 20% of its employees after being debanked." With the GENIUS Act now in force, he stressed Anchorage's federal-charter moat: "Stablecoins that get to any significant size must be issued by an SEC chartered entity, of which today we are the only one that can do that," enabling issuers like Tether, Western Union, and Athena to "issue their new coin… through us."

Anton (Talos) provided the most concrete evidence of institutional adoption hitting critical mass. "Every single year before 2025… 60, 65 to 70% of the clients… were Crypto natives… 2025 is the first year ever that that has completely inverted," he said, adding that Talos now serves clients representing $18 Trill in assets under management onboarded in just 10 months. He explained that "our services are really that broader… pre-trade portfolio management → execution → post-trade settlement… today we serve as a one stop shop for quite a lot of those customers," reflecting institutional demands for integrated workflows, reporting, and risk management. Katz also tied this to tokenization momentum: "In the past six months, we've done more work around tokenization… than we've done in the past six years," reinforcing his belief that "all assets are going to be digital assets" and that this will "revamp the entire financial ecosystem."

Rob (Dragonfly) anchored the discussion in capital-markets and venture dynamics. From an investor's standpoint, "the thing that has probably been the most important… is that the IPO market has opened back up… we've seen those IPOs perform relatively well with Circle and with Bullish," restoring exit paths and limited-partner confidence. He described the scale and nature of stablecoin adoption: "The amount of Stablecoins used for cross-border payments [went] from almost zero at the beginning of the year to over about a hundred Bill" in annual run rate, driven by real-world B2B flows, not just speculative trading. Hadick captured the new tone from traditional investors: "I'm getting hit up regularly by… name-brand pre-IPO investors who say, 'I want to know more about your space… about tokenization… about Stablecoins because now we see it as core to something that we need to have a bet in as well,'" including defensive questions like "how are the banks going to be disrupted by this new technology?"

PANEL – PUTTING ASSETS ON-CHAIN: THE TREMENDOUS PROMISE OF TOKENIZATION

Joris Delanoue (CEO – Fairmint), Robert Leshner (CEO – Superstate), Ben Stephens (CEO – ClearToken), Ambre Soubiran (CEO – Kaiko), Chris Perkins (Managing Partner – Coinfund).

The panel's major message was that tokenization crossed from experimentation to institutional infrastructure in 2025, setting up 2026–2027 as the scale phase rather than a distant 2030 story. The most important common threads are regulatory permission, native tokenization, capital efficiency, and data infrastructure as the next bottleneck.

Market inflection and regulation: Regulators in 2025 shifted from blocking to actively enabling tokenization, with new permissions for tokenized collateral, settlement systems, and market structures. As Ben (ClearToken) put it, "We're not just legal now. We're into the regulatory space. It's now we're being given permission and encouraged to build infrastructure."

Reputational risk flipped into competitive urgency, with Joris (Fairmint) describing 2025 as "the year of the end of reputational risk... Now there is a run to being on chain and to not be the last one doing it." Private markets are moving first, using tokenization to replace spreadsheets with programmable, compliant equity rails.

From pilots to native tokenization: The "digital twin" era of wrapping legacy systems is ending as real capital flows into tokenized private equity, treasuries, and public equities. Chris (Coinfund) captured the structural shift: "The true disruption is the move from take an asset, lock it in the box, issue a token... to the movement toward canonical assets."

Speakers stressed that native tokenization (where the token is the legal security) will outcompete synthetic wrappers once liquidity is sufficient and full rights—voting, dividends, collateral use—exist on-chain. Robert Leshner's work at Superstate shows public companies already choosing native issuance over synthetic workarounds.

Capital efficiency and data gaps: Institutional adoption hinges on capital efficiency, particularly delivery-versus-payment (DvP) settlement that eliminates pre-funding across fragmented venues. ClearToken's FCA-approved CT Settle uses unmargined DvP net settlement to remove Herstatt risk and "eliminates costly pre-funding requirements and reduces prefunding, freeing up vital liquidity."

The remaining systemic gap is market data: 24/7, compliance-grade pricing and post-trade data to support automated, on-chain execution. Ambre (Kaiko) warned, "We technically have everything we need... we're missing data infrastructure," and added that "2025 will be remembered as a real inflection point... we're seeing significant capital commitments, regulatory clarity, and infrastructure maturity."

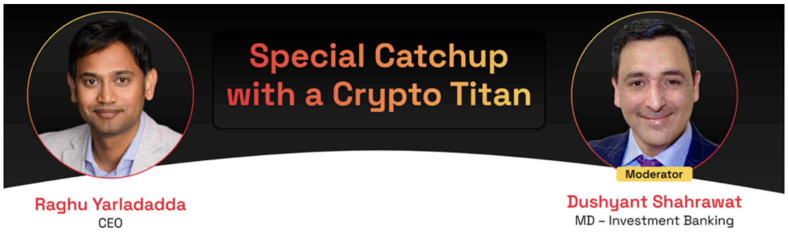
Company positions for 2026

- Fairmint is scaling from $25 Mill over five years to roughly $1.4 Bill in tokenized private equity in under a year, targeting on-chain IPOs, shareholder lending, and privacy-enabled cap tables on regulated rails. Joris emphasized the employee and investor upside: "The moment that investors start to see that... they can start locking those assets, swapping them... Same for employees—the moment you can get a loan against your stock options is a game changer."
- Superstate is pushing native tokenized equities and funds, arguing that once liquidity is adequate, "If I have a choice between two assets, once there's sufficient liquidity, I have to choose the tokenized asset... You're going to see a more violent... transition from fiat to tokenization."
- ClearToken, with FCA authorization, is building the horizontal settlement layer and positioning the UK as a tokenization hub using a CLS-like DvP model for digital assets.
- Kaiko is turning data from reference material into a "catalyst for contract execution... 2026 is the year of scaling infrastructure, not building it," focusing on indices, post-trade data, and bridging private (Canton) and public chains.
- CoinFund concentrates on market structure and policy, arguing that "The change in regulatory climate where regulators are no longer working against us... they're working with us trying to unlock the opportunity set. Tokenized assets are better assets because you can move them more effectively as collateral and eliminate risk."

2026–2027 outlook and key unknowns: By 2026, the panel expects: more authorized clearinghouses and venues, 10+ public companies with tokenized shares, the first on-chain IPO, and emergence of 24/7 data standards that satisfy both DeFi and TradFi. Fiduciary duty is expected to force institutions toward canonical tokenized assets once liquidity hits a still-uncertain threshold.

Critical open questions remain around the speed of US regulation, the exact liquidity level that triggers fiduciary transition, whether on-chain IPOs erase public/private boundaries, whether a single data standard can emerge, and how clearinghouses will manage systemic risk if heavily tokenized markets experience extreme intraday shocks.

CONVERSATION WITH FALCONX CEO RAGHU YARLAGADDA



This conversation highlighted how 2025 marked a turning point for institutional Crypto, FalconX's strategic expansion, and the emerging convergence of Crypto, AI, and traditional finance.

2025 industry recap: Raghu describes 2025 as an "exciting and hectic" year defined by long-awaited regulatory clarity, especially around the "Genius Act," which unlocked a new wave of institutional capital and higher-quality investors entering Crypto. The trading and risk infrastructure of the industry has "leapfrogged" versus 2022–2023, evidenced by the market's orderly handling of the large October 10 liquidation event, which was 5–10 times the size of FTX-era liquidations yet saw infrastructure remain stable and markets rebound quickly. Credit markets around Crypto, long a missing piece, began to heal as traditional players allocated more to private credit and trading credit in the space.

Structural shift: ETFs and "traditional wrappers": A central change in market structure is the rapid growth of Bitcoin ETFs and other listed products, which now channel roughly 30–40% of US Bitcoin volume, rising to about 45% when corporate treasuries and PIPEs are included. Retail investors increasingly prefer to access Crypto via familiar "traditional wrappers," a pattern that regulators also favor, which underpins FalconX's decision to acquire 21Shares, a leading Crypto ETP provider with about $11 Bill in assets. Combining 21Shares with FalconX's large corporate treasury and derivatives franchise allows the firm to deliver more structured products through regulated channels and to increase "asset productivity" by letting clients use ETP holdings as collateral to trade on FalconX.

FalconX strategy: consolidation, convergence, acquisitions: Looking ahead, Raghu expects two major structural trends: massive consolidation (centralized Crypto coalescing into 6–7 global "mega" firms) and deep convergence of Crypto with traditional finance. FalconX's acquisitions—options desk Arbelos, passive-strategies platform Monarch, and 21Shares—are designed to position the firm as a highly functional "one-stop shop" spanning spot, derivatives, credit, and asset management. Arbelos has helped FalconX become one of the largest global derivatives sell-side desks, with roughly 15–18% of global options volume and open interest surpassing CME on some venues. Monarch targets the shift toward passive allocation in Crypto by offering a menu of passive strategies and an assembly platform for allocators to deploy and monitor capital. Future acquisition targets will likely cluster around adjacencies valued by existing clients—such as staking, data, and especially tokenization infrastructure.

Tokenization and operating efficiency: Raghu argues tokenization is the core technology enabling 24/7, globally scalable finance at a fraction of today's operational cost, citing FalconX's ability to settle about $1 Trill in complex transactions over a year with a 24-person back office versus roughly 280 staff at a top traditional bank for similar complexity. While he agrees public equities are already highly efficient and may not be first in line for tokenization, he believes repo and fixed income markets—with fragmented, OTC processes and expensive legacy systems—are prime early candidates. Stablecoins, which have grown from roughly $2 Bill to around $300 Bill in market cap and could reach $1 Trill, are presented as the second major application of tokenization after Crypto itself, with broader real-world asset tokenization expected to follow.

AI agents, DeFi, and FalconX's model: Raghu views AI agents and DeFi not as threats but as amplifiers of FalconX's value proposition, predicting a "10x" increase in relevance as agents seek not just raw liquidity but integrated trading, credit, and asset-management rails via APIs. FalconX's ability to pair deep, multi-venue liquidity with elastic, underwritten credit and passive strategies is positioned as a key differentiator for both human and AI clients. He expects DeFi's full blossoming will require regulatory clarity that preserves composability while introducing some gatekeeping and travel-rule compliance, creating a role for regulated platforms like FalconX as bridges between institutions, DeFi, and regulators. Despite automation, he stresses that human-to-human trust, advice, and "human in the loop" oversight will remain critical, especially for institutional decision-makers.

Risk model evolution and 2026 outlook: Historically, FalconX emphasized a risk-neutral, non-proprietary trading stance, but client demand in a market that is shifting from spot to derivatives led the firm to launch electronic options trading on a principal basis, while remaining fully delta-hedged to avoid directional proprietary risk. This is coupled with swap-dealer registration and derivatives oversight frameworks to control systemic and firm-wide risk. Looking to 2026, Raghu anticipates a slow start due to thin post-liquidation liquidity but strong tailwinds through 2027–2028 driven by: (1) consolidation into large, regulated, better-governed Crypto platforms; (2) further erosion of the boundary between Crypto and traditional finance, especially in stablecoins and fixed income; and (3) the intersection of advanced technology, clearer regulation, and growing political will, which he believes will drive rapid financial transformation. FalconX's priorities for the next 12–18 months include continued innovation and scale in derivatives (especially electronic options), disciplined but rapid scaling of the credit book beyond its recent growth from about $350 Mill to $1.3 Bill in demand toward $1.6 Bill, and expanding asset-management offerings and structured products around the 21Shares platform.

Conclusion

The Rosenblatt Securities banking team was energized by the excitement and engagement of the FinTech and Crypto community at our 17th FinTech summit. We were inspired to see how previous alumni who had spoken at our conference 3-4 years ago when they were fledglings, rejoined us now as Unicorns with multi-Bill valuations. We are honored to have been a part of their story and are committed to being an active participant in the innovation sweeping global finance and helping innovative CEOs grow and succeed. If you are an investor or a FinTech/Crypto firm and would like to brainstorm strategic issues in financial services or have portfolio/corporate finance needs, please reach out to our banking team. We remain at your service.

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