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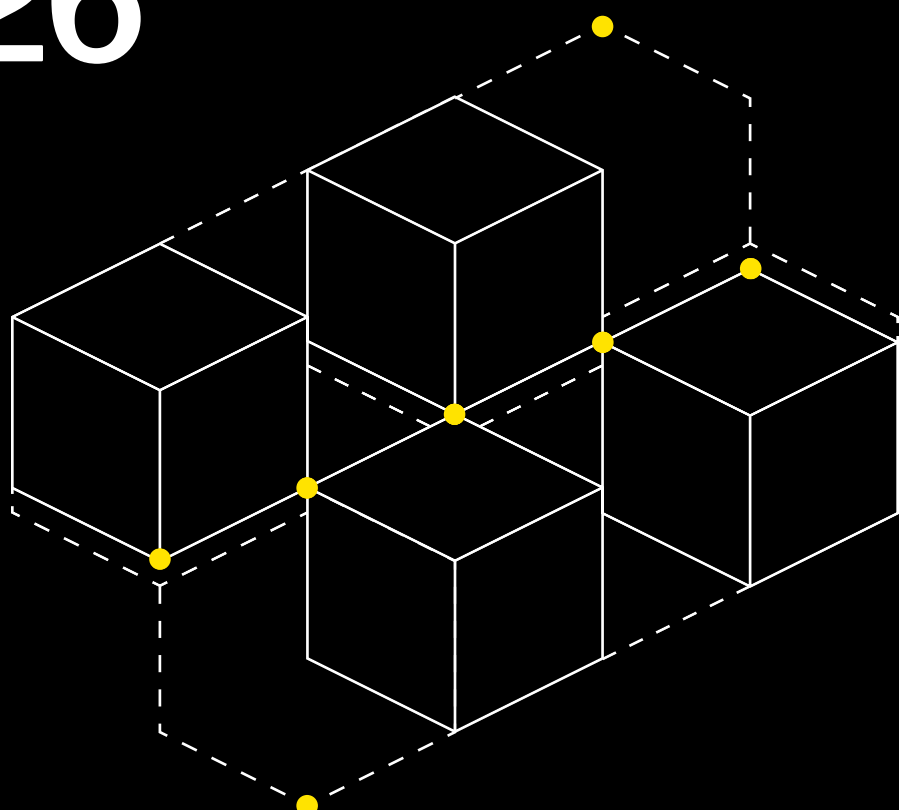
Galaxy Investment Banking

Crypto M&A Insights in 2025: And What's Accelerating into 2026



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Authors

CJ Murphy
Vice President at Galaxy Investment Banking
cj.murphy@galaxy.com

Stefan Riccelli
Vice President at Galaxy Investment Banking
stefan.riccelli@galaxy.com

Nick Ramsey
Analyst at Galaxy Investment Banking
nick.ramsey@galaxy.com

Introduction

Looking back at 2025, three structural themes emerged that we expect to drive inorganic growth in 2026. While regulatory risk has not disappeared, a selective retreat in U.S. enforcement and clearer frameworks have materially lowered the cost of experimentation. As a result, firms are now investing onchain in a manner that would have felt improbable 18 months ago.

We believe 2026 will mark a transition year for crypto, as blockchain rails evolve from experimental infrastructure into credible market structure and businesses rebuild onchain to capture proven operating efficiencies and distribution advantages.

Distribution is Being Rebuilt Onchain

The line between traditional financial companies and decentralized finance is beginning to blur. Crypto-native, offchain businesses are preparing for a decentralized paradigm shift, while onchain projects increasingly resemble conventional businesses, with durable revenues and cash flows. The industry's largest companies are focused on DeFi, and the shift warrants close attention.

Exchanges Prepare for a Wave of Decentralization

As decentralized trading venues become more accessible to mainstream users and traditional brokerages expand into spot crypto trading, centralized crypto exchanges face structural pressure on trading fees and margins. Rather than defending legacy economics, the largest exchanges (Binance, Coinbase, OKX, and Kraken) alongside Robinhood are proactively cannibalizing their existing business models to embed decentralized execution at the core of their platforms and differentiate from traditional brokerages.

Throughout 2025, these platforms invested heavily in proprietary blockchain infrastructure designed to migrate users onchain. Binance (BNB Chain), Coinbase (Base), OKX (X-Layer), and Kraken (Ink) each advanced dedicated execution environments, combining organic product development with targeted acquisitions. By year-end, all had enabled seamless access to DeFi applications, signaling a strategic focus on embedding decentralized functionality directly into the core user experience.

Coinbase closed an impressive year of M&A which included the acquisitions of **Echo** and **LiquiFi**.[1,2] These deals reflected a deliberate push to accelerate Coinbase's onchain capital-formation and token-launch infrastructure within the Base ecosystem. Their **Morpho** integration allows users to access onchain borrowing and lending while abstracting away non-custodial wallets and gas fees entirely.[3]

Kraken followed a similar path. The launch of its Ethereum layer 2, Ink, in December 2024, laid the foundation for onchain user migration, while its acquisition of **Backed Finance**, the issuer of xStocks, positions Kraken to support tokenized capital markets natively within its ecosystem.[4,5]

Robinhood provides a compelling parallel. Long oriented around democratizing access to financial markets, Robinhood is leveraging blockchain rails to improve both front-end user experience and backend efficiency. In 2025, the company launched tokenized equities on Arbitrum, with plans to migrate to a dedicated layer 2.[6] Complemented by its acquisitions of **Bitstamp** and **WonderFi**, Robinhood signals an intent to support significant trading volume onchain without sacrificing performance or compliance.[7,8]

1. Coinbase.com, Coinbase acquires Echo: Unlocking the future of onchain capital formation
2. Coinbase.com, Coinbase acquires LiquiFi, the leading token management platform
3. Morpho.org, Coinbase Loans
4. Blog.kraken.com, Ink fast-tracks Layer 2 mainnet launch, driving DeFi development boom
5. Blog.kraken.com, Kraken to acquire Backed, accelerating xStocks expansion and unlocking global demand for tokenized equities
6. Robinhood.com, Robinhood Launches Stock Tokens, Reveals Layer 2 Blockchain, and Expands Crypto Suite in EU and US with Perpetual Futures and Staking
7. Robinhood.com, Robinhood Completes Acquisition of Bitstamp
8. Robinhood.com, Robinhood To Acquire WonderFi

The Stablecoin Land Grab Continues

The rebuilding of distribution onchain extends well beyond exchanges. The passage of the GENIUS Act marked a clear inflection point for stablecoins, formalizing their role within the regulated financial system. Traditional payment processors are evaluating onchain settlement strategies as they search for synergistic stablecoin integrations, exemplified by **Mastercard's** interest in **Zerohash**.[9] Following its acquisition of **Bridge**, **Stripe** continued assembling a vertically integrated stablecoin payments stack with its acquisition of wallet infrastructure provider **Privy**.[10,11]

A handful of crypto-native firms remain focused on owning a share of onchain payments. **MoonPay** executed a series of acquisitions in 2025 that transformed its business from an on- and off-ramp into a full-stack payments processor, connecting banks, cards, and stablecoins through a global network. **Ripple**, focused on winning with liquidity, took a step into payments with its acquisition of **Rail** after debuting its stablecoin, RLUSD, at the end of last year.[12] **Polygon Labs** acquired **Coinme** and **Sequence** in early 2026 to build product and utility around the layer 2. Polygon Labs is expected to launch the Polygon Open Money Stack, which would serve as an alternative to more traditional purpose-built payment layer 1s such as Tempo or Arc.[13]

The GENIUS Act attempted to prevent stablecoin issuers from passing yield directly to stablecoin holders. While framed as consumer protection, the restriction effectively preserves deposit economics for incumbent banks by preventing yield competition.[14] As a result, the primary beneficiaries, aside from traditional lenders, are incumbent issuers such as **Tether** and **Circle**, which are no longer meaningfully threatened by yield-sharing entrants. In practice, the Act commoditizes stablecoins as non-interest-bearing, dollar-backed tokens. Issuers can subsidize adoption via partnerships such as Circle's with Coinbase and Bybit, exchanging shared economics for compliant distribution incentives.

The banking lobby is pushing for the CLARITY Act to eliminate affiliate yield programs entirely.[15] If regulation closes the loophole, demand for yield sharing won't disappear but will instead move offshore and, potentially, into other fiat-denominated, yield-bearing stablecoins. More attractive fiat-denominated alternatives have significant downstream effects on the dollar's stablecoin dominance in emerging markets and cross-border transactions.

U.S. regulation has stripped stablecoin issuers of all but one enduring source of differentiation. Ongoing CLARITY Act negotiations will determine whether distribution becomes the only defensible moat and how that could reshape the competitive landscape.

Liquidity Is the Product

As AI continues to compress software development costs toward zero, product differentiation in onchain finance is rapidly eroding. What remains defensible is liquidity and the network effects that sustain it. This dynamic is already visible across prediction markets, perpetuals, lending, and stablecoins. The liquidity tug-of-war has already begun and is set to intensify in 2026.

Laying the Foundation

M&A remains one of the fastest and most effective mechanisms for creating liquidity. Several transactions in 2025 illustrate this clearly. **Coinbase's** acquisition of **Deribit** is the most prominent example. While Deribit's product suite complemented Coinbase's existing offerings, the $2.9bn price tag was not about features.[16] The asset of consequence was Deribit's position as the dominant crypto options venue by volume.

Liquidity cannot be created through engineering alone. No amount of code can instantaneously create a deeply liquid market. This is where inorganic growth delivers its greatest impact. Well-capitalized players see the value in buying versus building when it comes to aggregating liquidity.

Other notable examples include **Kraken's** acquisition of **NinjaTrader** and **Swyftx's** acquisition of **Caleb & Brown** which both combined liquidity with regulatory and distributional advantages.[17,18] In regulated markets, licenses, permissions, and established distribution channels are scarce, non-replicable assets. Acquisitions compress approval timelines, unlock immediate distribution, and materially reduce customer acquisition costs.

In 2026, we expect acquirers to explicitly model liquidity replacement cost: the incentives, time, and opportunity cost required to recreate an acquired market organically. In most cases, the answer will justify premiums that appear irrational through a traditional SaaS lens.

9. Reuters.com, Mastercard poised to buy crypto firm Zerohash for nearly $2 billion, Fortune reports
10. Stripe.com, Stripe completes Bridge acquisition
11. Privy.io, Privy and Stripe: Bringing crypto to everyone
12. Rail.io, Rail and Ripple: Unlocking the future of Global Payments
13. Polygon.technology, Polygon Labs to Acquire Coinme and Sequence to Offer Regulated Stablecoin Payments in the U.S.
14. Congress.gov, Senate bill 1582 GENIUS Act
15. Dwt.com, H.R. 3633
16. Coinbase.com, Deribit joins Coinbase: Unlocking the future of global crypto derivatives
17. Kraken.com, Kraken to Acquire NinjaTrader: Introducing the Next Era of Professional Trading
18. Swyftx.com, Swyftx acquires crypto brokerage Caleb & Brown

Who Wins the Liquidity Race?

First movers enjoy a durable advantage in liquidity-driven markets. The clearest example is **Tether**, whose early scale has proven difficult to dislodge. As previously mentioned, Circle competes by subsidizing distribution through revenue-sharing agreements with partners.

The next wave of competition will be more challenging because the deepest pools of liquidity have not yet entered the market. What happens when large banks issue stablecoins at scale? Or when traditional financial institutions offer crypto-backed credit with lower cost of capital? A small number of established crypto-native firms may be able to compete on product and distribution. Most will not.

Protocols as Businesses

As protocols mature and regulatory clarity improves, an increasing number of projects are activating explicit value-capture mechanisms. Operating companies built on decentralized rails offer structural advantages relative to traditional financial firms, including lower marginal costs and global distribution. In some cases, this model provides an escape hatch from direct competition with incumbent financial institutions.

Decentralized protocols are beginning to resemble real businesses rather than speculative gambles. **Hyperliquid** is the clearest signal. The protocol generates substantial revenue, with approximately 97% of trading fees channeled to the Assistance Fund used for automated token buybacks.[19] It may represent the first instance of a business generating hundreds of millions of dollars in annualized revenue across <15 employees, while achieving effective margins of +90%. Building onchain unlocks operating efficiencies that are infeasible for traditional businesses to replicate with legacy infrastructure.

The competitive advantage is straightforward. By offering lower fees and leveraging the capital efficiency of onchain market structure, Hyperliquid captured meaningful perpetual futures market share through a CEX-quality user interface paired with carefully designed token economics.

As more protocols replicate this model, the buyer universe expands. A new class of investors can underwrite predictable cash flows and apply fundamental valuation frameworks. Unlike vintage crypto funds that take directional bets on token price, these vehicles will resemble a PE-type structure, explicitly designed to influence governance, optimize token-based economics, and create value from protocol-level cash flows.

Control Rights & Crypto-Native M&A

In 2025, it became clear that protocol ownership, token holder rights, and economic control are emerging as the most contested issues in crypto-native M&A, particularly as more protocols activate explicit revenue capture mechanisms.

Token Ownership ≠ Economic Ownership

The recent governance dispute within the **Aave** ecosystem illustrates the problem. In short, the Aave DAO and Aave Labs clashed after revenue generated from front-end swaps, which previously accrued to the DAO, was redirected to the development company.[20] At its core, the dispute centered on where economic rights should reside when critical offchain assets such as intellectual property, branding, and user interfaces are controlled by a separate legal entity.

The conflict is not unique to Aave. It reflects a structural flaw across DAOs. In most cases, DAOs lack legal ownership of offchain assets and cannot directly employ developers or operators. As a result, when protocol-related cash flows are generated by a separate corporate entity, token holders often have no enforceable claim. Governance over protocol development is assumed rather than guaranteed.

The acquisition of **Interop Labs**, a core contributor to the Axelar Network, by **Circle**, further underscores this misalignment. The transaction excluded the Axelar token and foundation, both of which continued to operate independently post-acquisition.[21] Axelar's token price traded down materially following the announcement and, as of early January, remained roughly 50% below its pre-announcement price. For token holders, the transaction crystallized a persistent ambiguity in crypto-native M&A. Governance tokens confer influence, not ownership or legal rights.

19. Artemisanalytics.com, Hyperliquid: A Valuation Model and Bull Case
20. Governance.aave.com, Aave Cowswap Integration- Tokenholder Questions
21. Circle.com, Circle Signs Agreement to Acquire Interop Labs Team & Intellectual Property

A Viable Crypto-Native Template Emerges

Crypto-native M&A is possible. **LayerZero's** acquisition of **Stargate** represents the first transaction of meaningful scale to demonstrate a workable model. It is the first notable example of a foundation proposing the acquisition of a DAO-governed protocol through an onchain process.

The transaction closely resembled public-market M&A mechanics. Stargate's governance token, STG, was exchanged for LayerZero's token, ZRO, at a fixed ratio of 1 STG to 0.08634 ZRO. The deal also included an earnout component, compensating escrowed veSTG holders with 50% of Stargate revenue for a period of 6 months. A fixed-rate redemption contract handled the exchange to STG to ZRO. The proposal was approved by approximately 95% of Stargate token holders.[22]

This was a watershed moment in crypto-native M&A. As liquidity and protocol revenue generation become focal points across the ecosystem, crypto-native consolidation offers a credible path to align incentives, aggregate liquidity and realize product synergies. Token holders determine whether and how value is captured and directed. Suboptimal governance depresses token prices, creating an opportunity.

Governance Activism

Institutional influence over protocol governance is the next frontier of crypto-native M&A. To date, no major fund has publicly accumulated governance tokens with the explicit intent of forcing strategic outcomes. But the mechanics already exist, and the incentives are forming. Governance tokens trade on open markets. Accumulation can be gradual, discreet, and generally permissible under existing market structure.

Consider the emerging playbook: a well-capitalized fund builds a significant minority position in a protocol's token. It then proposes a merger, fee activation, treasury deployment, or strategic partnership designed to improve economic outcomes for token holders. With sufficient voting power, the proposal passes. In traditional finance, this would resemble an activist campaign.

The distinction matters. Crypto-native M&A does not require board seats, tender offers, or proxy contests. It requires liquidity, patience, and a coherent thesis on value capture. As more protocols generate durable cash flows, governance tokens begin to function as control instruments rather than speculative assets.

What to Look for in 2026

1. Onchain Capital Formation

While infrastructure for onchain capital formation is maturing, 2026 likely won't be the year we reach escape velocity. Instead, this year should be viewed as the period in which standards emerge, early winners establish credibility, and a repeatable playbook begins to take shape.

Onchain capital formation offers structural advantages, but the real unlock is democratized access to capital markets. Traditional capital markets fragment execution, settlement, and ownership across multiple intermediaries, each introducing latency and cost. Blockchain rails collapse these functions into a single system of record, enabling atomic settlement and cryptographically verifiable ownership.

What is emerging is not a single open market, but a set of permissioned, KYC-enabled venues all competing for assets and liquidity. Crypto exchanges with existing compliance infrastructure are well positioned to capture issuance and trading volume, while platforms such as Securitize Markets and tZERO offer deep compliance expertise but require liquidity to see broader adoption. The shift is underway, but this year is about proving the model works, not necessarily achieving mass adoption.

2. Digital Asset Treasury Company M&A

The Strategy (MSTR) playbook proliferated across public markets in 2025. Many DATs enjoyed significant premiums throughout the first half of the year, enabling aggressive token accumulation funded through at-the-market issuance. That dynamic reversed as market conditions softened. Today, a growing number of DATs trade at discounts to mNAV, materially constraining their ability to finance additional asset purchases.

22. Snapshot.box, LayerZero Proposes Acquisition of Stargate (STG)

In 2026, DATs will differentiate and successful strategies will be rewarded in mNAV premiums. Balance sheet discipline, protocol-level integrations, and strategies focused on maximizing per-share asset ownership will separate durable accumulation vehicles from levered shell companies. Thoughtfully structured M&A offers a path to resilience, particularly in down markets. Acquisitions of crypto-native and crypto-adjacent operating companies can complement treasury strategies by adding revenue, optionality, and strategic coherence.

As well-defined strategies emerge, mNAV multiples are likely to widen. DATs that demonstrate effective asset accumulation and articulate a credible long-term strategy should command premiums, while weaker peers will trade at discounts. This dispersion creates an opportunity for market leaders to acquire their discounted counterparts, consolidating balance sheets and creating value for shareholders on both sides of the transaction.

3. DAO Restructuring and Decentralized M&A

We believe 2026 could mark a year of DAO realignment. Legal frameworks now exist, notably Wyoming's DUNA, to better align incentives among token holders, developers, and ecosystem participants. Aave and Axelar illustrate the shortcomings of earlier models, where DAOs and development companies operated with misaligned incentives and ambiguous ownership of offchain assets. Frameworks such as DUNA enable DAOs to legally own intellectual property, branding, and other offchain assets, providing a path to more sustainable ecosystem development.

As governance models and legal structure improve, DAO mergers and acquisitions will become viable. Treasury assets can be deployed to acquire complementary technologies, teams, or protocols, while aligned DAOs can consolidate vision and direction through combination. Well-governed DAOs promote adoption and utility, and as revenues grow, treasury capital can be reinvested to further advance the protocol's mission.

Contact Us

Albert Chao
Co-Head of Investment Banking
albert.chao@galaxy.com

Alwyn Clarke
Co-Head of Investment Banking
alwyn.clarke@galaxy.com

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