eToro Acquired Zengo for $70 Million -- and the Custody Layer Race Just Began

MPC Wallets, 40 Million Users, and the Infrastructure That Will Run the Tokenized Asset Economy -- Q2 2026

On April 15, 2026, eToro -- the Nasdaq-listed multi-asset trading platform with 40 million registered users across 75 countries -- announced the acquisition of Zengo, the seedless multi-party computation crypto wallet founded in 2018 in Tel Aviv by Ouriel Ohayon, Tal Be'ery, and Omer Shlomovits, for approximately $70 million in mostly cash. Zengo has more than 2 million users across 180 countries and has operated since 2018 without a single wallet hack. eToro closed 2025 with approximately $1.3 billion in cash after listing on Nasdaq in May 2025 at a valuation of approximately $3 billion. The deal pairs eToro's distribution scale with Zengo's MPC cryptographic architecture -- giving the publicly listed broker direct ownership of a custody layer it previously lacked. eToro CEO Yoni Assia stated: we believe the future of finance will be increasingly digital, decentralized and user-controlled, with self-custody playing an important role in that evolution. This acquisition is about more than one $70 million deal. It is the opening move in the custody layer consolidation race that will determine which three or four companies control the infrastructure that holds the tokenized assets of the next financial system. Once the pension funds, insurance companies, sovereign wealth funds, and asset managers pick their custodian, they do not switch. The winner-take-most dynamics of custody infrastructure make the current acquisition window -- before the institutional allocation decisions are made -- the most strategically important period in the custody industry's history.

01 -- WHAT ZENGO BUILT AND WHY ETORO PAID $70 MILLION FOR IT

Zengo's core innovation is its elimination of the private key -- the single most dangerous vulnerability in cryptocurrency custody. Every cryptocurrency wallet that uses a standard private key architecture has one fundamental failure mode: whoever holds the private key controls the funds. Lose the key, lose the funds. Have the key stolen, lose the funds. Forget the seed phrase, lose the funds. The history of cryptocurrency losses is largely a history of private key management failures -- from individual users losing seed phrases to institutional custodians being hacked.

Zengo's multi-party computation architecture eliminates this single point of failure by splitting the private key control across multiple independent computation parties. Zengo's implementation uses two independently generated mathematical shares to authenticate users: one share stored on the user's device and one share stored on Zengo's servers. Neither party alone can authorize a transaction -- both shares must participate in the computation that signs a transaction. Because the full private key never exists in one place, it cannot be stolen from any single location. A hacker who compromises either the

user's device or Zengo's servers gets a mathematical share that is useless without the other.

The security track record that resulted from this architecture is the most compelling single data point in Zengo's acquisition case: operating since 2018 with more than 2 million users across 180 countries, Zengo has never experienced a wallet hack. No user has ever lost funds due to a security breach of Zengo's infrastructure. In an industry where hundreds of millions of dollars in user funds have been stolen from exchanges and custodians, a zero-hack track record across eight years and 2 million users is the most credible possible proof of an architecture's security properties.

For eToro, the strategic rationale extends beyond acquiring a secure wallet. eToro's platform previously offered crypto trading within its own regulated custodial infrastructure -- users bought and held crypto on eToro, but the crypto lived in eToro's custody rather than the user's own wallet. As the broader financial system migrates toward tokenized assets that exist on public blockchains, the ability to hold assets in self-custody -- outside any single custodian's control -- becomes a fundamental product requirement. An eToro user who wants to hold tokenized Apple shares, tokenized US Treasuries, or DeFi protocol tokens needs a wallet that is genuinely theirs. The Zengo acquisition gives eToro's 40 million users that capability through the most secure MPC architecture in the consumer wallet market.

> ***ZENGO ARCHITECTURE: Private key split across two mathematical shares -- one on user device, one on Zengo servers. Neither alone can authorize transactions. Zero wallet hacks since 2018 across 2 million users and 180 countries. eToro paid $70 million for this track record and the MPC infrastructure underneath it.***

02 -- THE CUSTODY LAYER: THE INFRASTRUCTURE EVERYONE WILL NEED

The custody layer of the tokenized asset economy is the infrastructure that will perform the same function that SWIFT, the DTCC, and Visa perform in the traditional financial system -- holding assets, verifying ownership, and processing transfers -- but for the tokenized stocks, tokenized Treasury bills, tokenized real estate, and DeFi protocol tokens that are being built onto blockchain rails in 2026.

SWIFT processes more than $5 trillion in cross-border payment messages daily and earns fees from every financial institution that uses its messaging network. The DTCC custodies $114 trillion in securities and charges fees on every settlement it processes. Visa processes $14 trillion in annual transaction volume and earns interchange fees on every transaction. None of these entities are visible to the end user. They are invisible infrastructure that captures a fraction of every transaction that flows through them -- and because they are deeply embedded in the settlement and compliance workflows of regulated financial institutions, they are extraordinarily difficult to displace once they are chosen.

The crypto-native custody layer is being assembled right now, and the companies assembling it are acquiring the same structural characteristics that made SWIFT, the DTCC, and Visa impossible to displace. Fireblocks provides the institutional key management and transaction workflow infrastructure used by more than 1,800 institutions including banks, exchanges, and hedge funds. BitGo holds more than $64 billion in assets under custody and is the dominant custodian for institutional crypto funds. Anchorage Digital holds the only OCC federal bank charter in the crypto industry -- giving it the same regulated custody status as a nationally chartered bank. Copper provides custody and settlement infrastructure for institutional trading desks. And now eToro, through the Zengo acquisition, has the

MPC wallet infrastructure to serve its 40 million retail users as the boundary between retail and institutional custody converges in the tokenized asset era.

The winner-take-most dynamics of custody infrastructure are structural rather than competitive. A pension fund that selects Anchorage Digital as its crypto custodian after completing six months of due diligence, legal review, insurance qualification, and systems integration is not going to repeat that process to switch to a competitor without a compelling reason. A bank that integrates Fireblocks into its treasury operations workflow is not going to rebuild that integration for a different provider. The switching costs in institutional custody are comparable to the switching costs in core banking systems -- which is why the same core banking software vendors have dominated that market for decades with relatively limited competition.

03 -- THE COMPETITIVE LANDSCAPE: WHO IS WINNING THE CUSTODY RACE

The institutional digital asset custody market in Q2 2026 is in the late-stage consolidation phase before dominant market positions become entrenched. The analogy that best captures the current moment is the cloud computing market in 2010 -- multiple credible competitors, rapidly growing demand, but not yet the point at which AWS, Azure, and Google Cloud had established the market share positions that have proved nearly impossible to dislodge since.

Fireblocks dominates the institutional workflow layer with its digital asset operations platform -- the software that institutional treasuries, exchanges, and banks use to manage transaction approvals, key management policies, and multi-signature workflows across their crypto operations. More than 1,800 institutions use Fireblocks, including Goldman Sachs, BNY Mellon, and Revolut. Its position as the workflow infrastructure layer -- sitting between the custodian and the exchange, managing the operational complexity of institutional digital asset transactions -- gives it a structural advantage that pure custodians cannot replicate: Fireblocks is embedded in the operational processes of its clients rather than simply holding their assets.

Anchorage Digital's OCC federal bank charter is the most powerful regulatory moat in the institutional crypto custody market. As the only crypto-native entity with a nationally chartered bank license, Anchorage can offer the same regulated custody services as JPMorgan or BNY Mellon to institutional clients who require federally regulated counterparty status. The 20 banks queuing for OCC trust charters -- documented in the Federal Reserve master account analysis in this research series -- are attempting to build the same regulated custody standing that Anchorage already holds. By the time those applications are approved, Anchorage will have years of institutional client relationships built on its first-mover regulatory advantage.

BitGo, Copper, and Panda represent the mid-market and prime brokerage custody tier -- serving hedge funds, family offices, and crypto-native institutions that need custody and settlement infrastructure but may not require the full federal banking charter compliance that Anchorage offers. The MiCA compliance deadline of July 1, 2026 is accelerating consolidation specifically in the European market, where companies with full banking licenses or MiCA authorizations have capital and operational advantages that unlicensed competitors cannot match.

CUSTODY MARKET STRUCTURE: Fireblocks for institutional workflow. Anchorage for federally chartered regulated custody. BitGo for hedge fund and institutional funds. Copper and Panda for prime brokerage. eToro and Zengo for retail-to-institutional convergence. Three to four of these will develop near-monopoly positions. Once institutions choose, they do not switch.

04 -- THE MIPA DEADLINE AND THE CONSOLIDATION ACCELERANT

The European Union's Markets in Crypto-Assets regulation -- MiCA -- has a compliance deadline of July 1, 2026 for crypto-asset service providers operating in EU markets. This deadline is the most significant regulatory consolidation accelerant in the global custody market, and its effects are already visible in the eToro-Zengo deal's structure.

eToro holds a MiCA license granted by the Cyprus Securities and Exchange Commission, passported across all 27 EU member states and the wider European Economic Area. The Zengo wallet acquisition was structured specifically to keep the self-custody wallet outside eToro's MiCA-regulated services -- Zengo's wallet remains separate from eToro's regulated platform, with users interacting directly with third-party protocols. This structural decision, described by FinTech Weekly as the only viable architecture for a MiCA-licensed platform that wants to offer on-chain access without importing regulatory liability, reflects the precise compliance engineering that the July 2026 MiCA deadline is forcing across the European crypto industry.

The MiCA deadline is producing a bifurcation in the European crypto custody market between MiCA-licensed entities that can offer regulated custody services and unlicensed entities that cannot. Companies with full banking licenses or MiCA authorizations have capital and operational advantages that EMI-licensed or unlicensed competitors cannot match -- advantages that become structurally permanent once institutional clients make custody decisions based on regulatory standing. The July 2026 deadline is not just a compliance event. It is a competitive moat creation event: the companies that hold MiCA licenses after July 2026 have a regulatory advantage over those that do not, and that advantage compounds with every institutional client acquired under the regulated framework.

05 -- CHARLES SCHWAB AND THE RETAIL-TO-INSTITUTIONAL CUSTODY CONVERGENCE

eToro's Zengo acquisition occurred in the same week that Charles Schwab -- the brokerage giant that manages approximately $10 trillion in client assets across 38.9 million active brokerage accounts -- began rolling out direct Bitcoin and Ethereum trading to its client base. The simultaneity is not a coincidence. It reflects the fundamental competitive dynamic that is reshaping the financial services industry in 2026: the boundary between retail investing and crypto custody is collapsing.

Charles Schwab launching Bitcoin and Ethereum trading to 38.9 million active brokerage accounts is the same strategic move as eToro acquiring Zengo -- both are traditional financial services platforms recognizing that their users will demand crypto exposure and self-custody capability as tokenized assets become mainstream, and that the time to acquire the infrastructure required to serve that demand is

before the demand fully materializes rather than after. The custody infrastructure acquired now -- at $70 million for Zengo, at whatever cost Schwab is investing in its crypto trading infrastructure -- will serve the user base that demands tokenized asset access when the DTCC's October 2026 full tokenization launch, the NYSE's 24/7 on-chain settlement platform, and the SEC's innovation exemption bring the full scope of tokenized US securities to market.

The custody layer convergence between retail platforms and institutional infrastructure is the most structurally significant development in the financial services industry since the internet democratized stock trading in the late 1990s. The retail investor who accesses tokenized Apple shares through eToro's platform using a Zengo MPC wallet is interacting with the same blockchain infrastructure that BlackRock uses for its BUIDL tokenized Treasury fund -- the custody, settlement, and ownership verification functions operate on the same public blockchain rails regardless of whether the end user is a retail investor or an institutional fund manager.

06 -- CONCLUSION: THE CUSTODY LAYER IS THE INFRASTRUCTURE OF THE NEXT 50 YEARS

The $70 million that eToro paid for Zengo on April 15, 2026 will look either like a bargain or a cautionary tale depending on whether eToro's 40 million users become the distribution channel through which millions of retail investors access the tokenized asset economy. The structural bet eToro is making is that self-custody -- users holding their own tokenized assets in MPC wallets rather than in custodial accounts at brokerages -- will be the dominant model for retail crypto and tokenized asset access in the next decade. If that bet is correct, eToro has acquired the best MPC wallet infrastructure in the consumer market for $70 million, before the tokenized asset economy that will drive demand for that infrastructure has fully arrived.

The custody layer race is the most important infrastructure competition of the next 50 years because custody is the function that every participant in the tokenized asset economy will require. Not every investor will need a blockchain-native exchange. Not every institution will need a DeFi protocol. But every participant -- retail or institutional, US or global, crypto-native or traditional finance -- will need infrastructure to securely hold, transfer, and verify ownership of tokenized assets. The companies that win the custody layer will earn fees on the tokenized stocks, tokenized Treasuries, tokenized real estate, and digital payment flows of the global economy. The scale of that fee capture opportunity makes the current acquisition prices -- $70 million for Zengo, whatever Fireblocks and Anchorage are worth -- look modest against the infrastructure value they represent.

For investors who have been following the complete institutional tokenization buildout across the Alain AI Lab research library, the eToro-Zengo deal is the retail custody layer confirmation that completes the picture: institutional custody is being addressed by Anchorage, Fireblocks, and BitGo. Retail-to-institutional convergence custody is being addressed by eToro, Zengo, and Charles Schwab. And the tokenized assets that will flow through all of this custody infrastructure -- the Russell 1000 stocks on Stellar, the Treasuries on Ethereum, the tokenized real estate on Polygon -- are being assembled by DTCC, BlackRock, NYSE, and their institutional peers simultaneously. The infrastructure for the tokenized asset economy is being built. The custody layer is the last piece to consolidate.

Position before the consolidation completes.

> ***eToro paid $70 million for Zengo on April 15 2026. Zengo has zero hacks since 2018 across 2 million users. The custody layer is the infrastructure that will hold the tokenized stocks, Treasuries, and real estate of the next financial system. Three to four companies will dominate it. The race to be one of them just started.***
