An Interview with METACO Founder and CEO, Adrien Treccani

ADRIEN SHARES HIS OBSERVATIONS ON THE CRPYTOCURRENCY MARKET, THE ROLE OF BANKS AND THE FUTURE OF CENTRAL BANK DIGITAL CURRENCIES

The recent rally in Bitcoin prices has attracted a lot of attention in the Media, debating again the future of Cryptocurrencies and their possible role in the economy. Behind the scenes however, banks and institutional asset managers are further exploring concrete use cases for cryptocurrencies and other tokenized assets and are starting to build out the infrastructure to launch products and services in this rapidly evolving sector.

The Lausanne-based company METACO, is one of the leading startups facilitating this transformation of traditional financial institutions into the world of digital assets, by providing a banking-grade infrastructure that enables custody, payment and tokenization of digital assets.

Assaf Shamia from G+D Ventures, the corporate VC arm of Giesecke + Devrient GmbH in Munich, caught up with METACO founder and CEO, Adrien Treccani, to discuss the company's vision and market insights.

Adrien, why did you decide to found the company?

Bitcoin, since its initial release in 2008, went from zero to a huge market capitalization, and paved the way to many other crypto assets. Common to most of them is the support of peer-to-peer transactions which do not go through a bank, a credit card company or a payment processor – they stay entirely outside the existing, regulated financial system.

Initially these digital assets were used by software geeks, libertarian anarchists, financial speculators and criminals…but in recent years the technology has caught the interest of financial institutions, who began considering digital assets as a means of portfolio diversification, inflation protection and other use cases.

I have long observed how difficult it is for anyone to manage and store digital assets: As they rely on mathematics for security, one is free to store the private keys in endless ways, but that freedom comes at a high risk of losing ownership over them, just like putting your cash under the mattress and risking someone breaking into your house and stealing it.

As the market matures, more investors are looking to remove this risk by relying on trusted third parties to keep these assets safe. This is exactly where METACO comes into play: our core hypothesis is that banks will be the main service provider of all new forms of digital assets, in the very same way we trust them to safeguard our cash and other investments today.

Could you explain, in simple words, what METACO is offering?

Simply put, we develop an enterprise-grade infrastructure that supports three main functions for handling any digital asset:

1. Custody – Store digital assets securely, in the same manner you'd put gold bullions in a vault. Think of it as the digital equivalent of a secure, physical bank safe.
2. Payments – Enable the transfer of these assets to and from the digital vault, as part of a process that often requires the approvals of multiple parties
3. Tokenization – Create new assets, especially non-liquid assets such as ownership tokens of Company Shares, Real Estate or Art

The market for digital asset custody, payment and tokenization seems very active. What is unique about METACO'S technology?

From a bank's point of view, there are two options to handle digital assets: externalize everything to a third party or set up your own infrastructure to have complete control over the assets.

Some bank, perhaps due to size and resource constraints, do not wish to deal with the management of the assets. They can choose to outsources these activities to one of many crypto-custody service providers that are emerging in many regions. These third-party custodians are service providers, not technology infrastructure vendors.

Given the growing strategic importance of digital assets for bank and the way regulation is evolving in certain regions, we expect many Banks to want to at least have some control over the management of the digital assets. For that, they would need a technology infrastructure capable of supporting some or all the asset management lifecycle. This is where METACO is uniquely positioned to provide a dependable solution.

What makes our technology particularly attractive to banks, is our strong belief that there is no one-solution-fits-all: different banks would have different requirements and preferences to the specific configuration and deployment of their digital asset management tools. We designed our product to support multiple security and deployment options, letting customers to decide what works best for them. For example, we offer both on-premise and SaaS deployment models, we allow private keys to be stored using both High Security Modules (HSMs) and Multi-Party Computation (MPC) and we can integrate with multiple core banking software solutions so that these digital assets could be managed just like any other financial asset.

There is an increasing discussion lately on Central Bank Digital Currencies ("CBDC"), which central banks might introduce in the coming years. What role could METACO play in that part of the market?

If, by "CBDC" one means a digital token which is only accessible to the large financial institutions to enable faster money movements between parties, then it is a new clearing & settlement layer. This is often referred to as "Wholesale CBDC" and it should have no disruptive impact on the way economies work and our everyday use of money. I am not even sure that one should even place this under the "Digital Currency" umbrella.

On the other hand, if by "CBDC" one refers to a digital token that is backed by a central bank and used as a means of payment for the general public, then this is a real revolution that would have a major impact on the entire economy.

In the past two years, we have seen an incredible acceleration by both Central Banks and public interest in this topic, multiple experimentations and extensive research being conducted and several initiatives such as Facebook Libra/Diem emerging. The pandemic has also contributed to a strong push towards digitalization and virtual work, which plays nicely with the notion of a digital cash.

But such a disruptive technology, poses significant commercial, regulatory and technical challenges. We foresee this interest in CBDC continuing to grow and spread but we do not expect any actual CBDC implementations to happen – at least in the developed world – before 2-3 years from today if not longer.

Yet at METACO we are not waiting for an announcement of the ECB or the US Fed to launch a CBDC initiative and are instead preparing for this today. Our conviction is, that CBDC would have the same safeguarding and management challenges as any other digital asset, regardless of its underlying implementation. More specifically, CBDC systems would depend on a highly reliable and auditable ledger, to make sure there is no double-spending and that accounting procedures can be trusted. Still, how one interacts with the CBDC ledger – how new digital token are minted on destroyed, how information is entered into or taken out of the ledger – remains and equally critical challenge that must be secured as tightly as the ledger integrity itself. That is precisely what METACO's technology could offer.