

**Coinbase Global, Inc.**  
**Third Quarter 2021 Earnings Call**  
**November 9, 2021**

**Anil Gupta, Vice President, Investor Relations:** Thank you. Good afternoon, and welcome to the Coinbase Third Quarter 2021 earnings call. Joining me on today's call are Brian Armstrong, Co-Founder and CEO, Emilie Choi, President and COO, and Alesia Haas, CFO.

I hope you've all had the opportunity to read our shareholder letter, which was published on our Investor Relations website earlier today.

Before we get started, I'd like to remind you that during today's call, we may make forward-looking statements. Actual results may vary materially from today's statements. Information concerning risks, uncertainties and other factors that could cause results to differ from these forward-looking statements is included in our SEC filings and shareholder letter available on our IR website at [investor.coinbase.com](https://investor.coinbase.com). Our discussion today will include references to adjusted EBITDA, a non-GAAP financial measure. We believe that certain non-GAAP measures of financial results provide useful information to management and investors regarding trends relating to our financial condition and results of operations. Non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, GAAP measures. You can find additional disclosures regarding adjusted EBITDA, including a reconciliation to net income to comparable GAAP measure in our Shareholder Letter and current report on Form 8-K, which are posted on our IR website.

I want to note that we are once again using the Say Technologies platform to enable our shareholders to pose questions to our management team. In addition, we will take some live questions from our research analysts.

And with that, I'll turn it over to Brian and Alesia for some introductory comments.

**Brian Armstrong, Co-Founder & CEO:** All right. Thanks, Anil. Thanks, everybody, for joining us as well. So we've had another solid quarter and this is amidst the volatility happening out there in crypto market. So we never know exactly what's going to be happening this quarter in crypto, but we are seeing really strong and accelerating pace of crypto adoption globally.

So in the letter, we actually shared some insights on the pace of this adoption and how it mirrors that of the internet 25 to 30 years ago. And we looked at some third-party research, which indicates that crypto users have doubled in the first half of this year, now over 200 million people, and that growth is accelerating.

So what have we been focused on at Coinbase? Well, there's four main areas. The first is about products. We're a product-led company, and we focus a lot on how we can improve the customer experience to get 1 billion people accessing the crypto economy through our products every day.

So how are we doing that? Well, we're investing in our core apps, the main retail app. We're also investing in our Prime brokerage app for institutions. We're building Coinbase Cloud, which is our AWS-like developer platform for any business out there that wants to build into the cryptoeconomy. And we're even investing in new initiatives like our NFT marketplace and our direct deposit offering.

The second area is around customer service. So you saw that we announced 24/7 phone customer support, which we're going to be rolling out next quarter. We're also investing in site reliability. Amidst of all this growth, we're very focused on maintaining adequate up-time for our apps and websites in this unprecedented growth period.

And then lastly, we're focused on our policy and government relations efforts and regulations. So this is continuing the tradition that Coinbase has had since the beginning of seeking out regulators, being the most trusted, getting licenses and actually being an educational resource to help educate folks around the world about how this industry can be something very positive to the world.

So I know there's lots of questions to get to, but let me stop there, and I'm going to turn it over to Alesia next to share a summary of our financial performance.

**Alesia Haas, CFO:** Thanks, Brian. As Brian shared, Q3 was a strong order for Coinbase. We provided a lot of disclosure in our letter, but I thought I would share a few perspectives.

It starts with volatility. The story of our third quarter really centers on lower volatility that we saw early in the quarter. Our monthly transacting users and trading volumes and therefore, transaction fee revenue, all correlate with volatility. So it's a very important driver of our financials.

Trading volume across the entire crypto spot market declined quarter-over-quarter in Q3. For Coinbase, our institutional volumes outperformed this broader market and our retail volumes performed in-line with the industry.

Next, I want to share a bit of color on our retail transaction fees because I know you all watch this closely. As you'll see from our disclosures, the blended average fee rates were lower in Q3 versus Q2 for our retail business. We want to be clear. There was no change to our retail transaction fee rates in the quarter. The decline that you see is the result of math. It is a result of the facts that in lower volatility periods, we see our low dollar volume traders become less active.

We've seen this transaction reverse in October as customers have been very active on Coinbase given the change in crypto prices and volatility that we've seen in October. And our blended average retail fees were higher in October. So I want to share with you again, this is just an outcome of activity on our platform and that there's no underlying change to the fee rates.

Three other important trends I want to call out. First, our focus on asset addition is paying off. We told you before we want to be the Amazon of assets. And today, we see 59% of our trading volume in Q3 coming from other crypto assets. We don't know precisely which assets customers are going to adopt. So our strategy of wanting to support all legal assets will give our customers the broadest and safest choices to do so.

Second, our customers are deepening their engagement with our product suite. 28% of our retail MTUs that invested also engaged with a second product on Coinbase in the quarter. And 49%, nearly 50%, of our MTUs are engaging with non-investing products overall. We see this as a great indication that we're moving to the utility phase of crypto.

Third, our subscription and services revenue was strong at \$145 million. This is up 41% compared to Q2. We are pleased to see this growth despite the impact of volatility on the transaction revenue. And again, this is just an encouraging sign that crypto is increasingly moving to utility, particularly with use cases around yield and rewards.

I want to turn to our outlook. In our shareholder letter we noted that Q4 is off to a strong start. Volatility and crypto prices both increased in October, which has resulted in October monthly transaction users of 11.7 and October trading volume of \$186 billion. Additionally, as I mentioned before, we've seen an increase in those retail fee rates in the month of October.

As a result of this strength, we've increased our MTU scenarios for full-year 2021. Our low is now 8 million MTUs, which is the average over the course of 2021, and our high is 8.5 million, as outlined in our letter. We also shared that we anticipate our 2021 annual average net transaction revenue per month will be in the high \$50's.

On the expense side, our updated outlook reflects our strengthening view of Q4, including transaction expenses in the mid-teens as a percent of our revenue. Sales and marketing will be higher compared to Q3 as we ramp up our brand investments, and our tech and dev and G&A spend should come in, in the neighborhood of \$1.4 billion combined. It's important to note that excludes, i.e., does not include stock-based compensation.

With that, I'll turn it back to Anil to get started with Q&A.

**Anil Gupta, Vice President, Investor Relations:** Thanks, Brian and Alesia. Before getting into Q&A, I wanted to clearly lay out some principles for our Q&A session today. First, we will answer the most up voted questions determined by number of shares and may group questions together that touch on the same themes. Second, we don't plan to answer questions related to potential listing of new assets. And third, we will avoid questions we've answered in the past if there are no updates. For example, we still don't plan to issue a dividend.

So our first question is from Silviu P. and Jason M. They asked about Coinbase Ventures. Can you talk a bit about our venture strategy, investment process, and maybe highlight one or two investments you're particularly excited about? Can you walk us through the capital allocation strategy and how these investments are captured in our financials?

**Emilie Choi, President & COO:** This is Emilie Choi, President and COO. Thanks for being on the call. So we're very pleased with the progress of Coinbase Ventures. We launched it in 2018, primarily with the mandate to support the growing crypto ecosystem. And we have become one of the most active corporate investors with more than 200 portfolio companies at this point.

One of the questions was about the ones we're most excited about. And we look at it as thematically what is really interesting and popping and what teams and technologies are really interesting. So this includes everything from OpenSea, which we invested in their seed round in 2018 because we thought NFTs was going to be interesting. TaxBit and CoinTracker because taxes are so important in crypto. BlockFi for lending. Uniswap for decentralized exchanges, and then CoinSwitch because we think India and international are such important themes. And that's the way we think about the portfolio. We just – we really look at interesting themes and then try to find the best teams and technologies in the space. And as I mentioned, we want to support the ecosystem because it helps support and grow those companies and it also helps us get differentiated insights about what's popping.

A secondary goal for us is about M&A pipeline and/or partnerships. So, for example, Bison Trails is a company that we invested in as a Coinbase Ventures company, and it has now been acquired by us and forms the basis for Coinbase Cloud. Another example of this on the partnership side is that we invested in Compound before partnering to support their day one listing for custody and trading. So we think there's a lot of different ways that we can work with these companies across the spectrum of partnership to acquisition.

And then finally, we also do care about ROI, and we think that we'll be showing strong returns in coming quarters around that, but that's kind of a secondary goal for us. So the final thing I'll say on this is just that we've been spending a lot of time as of late working with protocols, Web 3 infrastructure, DeFi, CeFi, and of course, NFTs and the Metaverse. And we think there's just an abundance of innovation in this space and we want to keep doubling down on those opportunities.

Alesia, do you want to talk about the financial part of this?

**Alesia Haas, CFO:** Happy to. So the first part of the question, how do we think about our capital allocation framework? And here, I would say there's no hard and fast rules. When we look at our overall balance sheet, we allocate capital to four different use cases. One is just to working capital. Two is to product support and strategic initiatives, of which venture investments and strategic investments fall into that bucket. Third is to any potential risks that we may have that we want to self-insure. And then lastly is the ability to be able to fund our business through a crypto winter.

So this capital allocation is a constant discussion between Emilie, Brian and I about what is the best and highest use of our resources, but this is a very important area that we allocate capacity to.

We hold our strategic investments on our balance sheet under other noncurrent assets and you can see those in our financial disclosures in our 10-Qs and Ks. The majority are equity investments where we hold less than 10%, so these are minority passive investments. We record them at cost and test for impairments on a regular basis. They could be subsequently written up. This is very rare because the accounting rules for when we actually write up an investment are very precise. It has to be an identical transaction and what we typically see in these investments is they have subsequent rounds that are not identical investments.

And so you will see us typically carrying these at cost. There could be a significant delta between the fair market value of these investments and the carrying value reflected on our books. We look forward in the future to producing more disclosure and giving you more insights into this portfolio and may disclose fair market value at a future time.

**Anil Gupta, Vice President, Investor Relations:** So next, we received several questions about NFTs. Silviu P. and Stephen D. asked if we can talk about the recent announcement of the Coinbase NFT platform and the overall strategy there. What are your plans for international expansion of the NFT platform and cross-platform usability? Devin Ryan from JMP Securities asked about the social component of NFTs. And Rich Repetto from Piper Sandler asked about the timing of when we will launch our marketplace.

**Brian Armstrong, Co-Founder & CEO:** Yeah. So this is Brian. I'll jump in on this one. So we're very excited about NFTs. I think this is going to be a very large area for crypto in the future, and it already is today. I mean, traditionally, Coinbase was focused on FTs, fungible tokens, and we're equally excited about NFTs. I think it could be as big or bigger. We don't know.

So let me just zoom out for a minute, because, of course, we launched Coinbase NFT or we announced that we'll be launching it in the next quarter or two. And so Coinbase is a multi-product company. We have an effort internally we call Project 10%, which basically means that we put 10% of our resources towards these new initiatives that are kind of outside of our core competency. And you've seen things like Coinbase Wallet and Coinbase Commerce, the direct deposit feature that we announced, and this NFT all came out of that. So, this NFT product that we've talked about is really just a small team's effort that started just a handful of months ago.

So there was a question there about the social experience. And I think that's something that Coinbase can bring to the table here. We'd like to make Coinbase NFT a little bit more like Instagram as opposed to, say, an auction like eBay or something like that. And I think having people that you can follow, your favorite artists or creators, and having a feed of content that gets populated from those people you follow, that could be really powerful. And in addition, you can go in there and buy an NFT if you really like it and you'll kind of showcase in your own social profile.

In addition to that, I think we can just make hopefully NFTs much easier to use. That's kind of a hallmark of what Coinbase tries to do out there, to bring more and more people into the crypto space. So just simple things like how do you connect your wallet. You don't – hopefully, you won't have to install a Chrome extension. And if your

identity and your payment methods and everything are just already connected from your Coinbase account, buying could be hopefully a one-click experience.

So I think this is going to be a global phenomenon. We want to make sure our NFT platform is interoperable with every other platform out there. And hopefully, you will see something launched in the next couple of quarters here.

**Anil Gupta, Vice President, Investor Relations:** Our next question comes from Li L. who has noticed some Coinbase marketing efforts lately, including ads on YouTube and our recently announced partnership with the NBA. Can you walk us through the evolution of your marketing strategy and how that will continue to fuel the growth of your user base? And how do you measure effectiveness?

**Emilie Choi, President & COO:** Thanks for the question. So like many classic consumer Internet companies, we have built such a strong base of organic users. And frankly, historically, we used very little marketing spend prior to this year. And now I think we see a huge opportunity and we're working to rightsize our budget and invest more in marketing. We think that the next concentric circle to reach 1 billion crypto users globally is possible here, and we want to use both organic as well as marketing efforts to help reach those users. And we're also looking to figure out what is authentic for Coinbase, how do we celebrate the unique aspects of Coinbase and the crypto community in those marketing efforts.

So to that end, we recently hired our first CMO, Kate Rouch, who came from Facebook. And the first half of this year was focused largely on performance and growth marketing. And now what you're seeing is that we're expanding into the full funnel of marketing, including brand efforts such as Made in America in Q3, the multiyear partnership with the NBA as their exclusive cryptocurrency platform partner that you referenced, and we have lots more to come.

We think we have a very big opportunity to invest in brand, expand the channels that we reach. And that includes things like eSports to art to sports. And we're also very excited about investing in content, educating existing and new users about the possibilities of crypto.

**Alesia Haas, CFO:** Just to add on a little bit, Emilie. What I would share with regards to the – how do we measure it, how do we think about it, marketing attribution and efficacy is a new muscle that we are building. As Emilie noted, our marketing spend is moving beyond performance marketing. So for performance marketing, we are pretty well-tuned here. And we look at our customer acquisition costs and LTV and have a targeted range of outcomes we'd like to see. But as we move into this new brand marketing for the first time, we are planning to test and learn and gather insights into the spend. And so you should expect to see us iterating and testing quite a bit, and we'll share updates if they are relevant.

**Anil Gupta, Vice President, Investor Relations:** Our next question comes from Hovik K. and Caleb O. who saw the updates to our crypto investment policy. Can you share a bit more detail around that program for those who may not be as familiar? And what purchases – what have purchases look like so far and would Coinbase ever consider getting into mining?

**Alesia Haas, CFO:** Thanks for those questions. So, yes, in August, we announced an update to our crypto investment policy. And big picture, our goal is to become vast majority, if not 100%, crypto over time. We want to have all of our revenue and expenses be crypto-denominated as we think about the future. And so this is one step in that direction. We've made two commitments. The first was to invest \$500 million of our cash and cash equivalents into crypto; and second, we're allocating 10% of quarterly net income into crypto investments. We are dollar-cost averaging into a diverse portfolio over time. So you will not see a \$500 million step-up in our investments as of Q3, but you should expect to see this balance continue to grow.

We've invested upwards of \$180 million year-to-date as measured at cost. And what's important to understand is that crypto assets held are on our balance sheet at cost. They sit in a line item called crypto assets held. And you can view additional disclosures in our footnotes, which break these out for what is an investment versus what is crypto that we hold for operational purposes.

You can also see in our footnotes some fair value disclosure, and you can see that our crypto investment as of Q3 were \$540 million of fair value on the balance sheet, and we disclosed the Bitcoin, Ethereum and other crypto assets breakout in those details.

**Anil Gupta, Vice President, Investor Relations:** Our next question comes from John P. and Aaron S. who asked regulation is top of mind, can you give us a bit of insight into the regulatory state of affairs in the US today? How is Coinbase participating and how would you like to see the conversation evolve? And to add on, Owen Lau from Oppenheimer asked about how the Digital Asset Policy Proposal has been received by regulators.

**Brian Armstrong, Co-Founder & CEO:** Yeah. I can take this one. So regulation and our policy efforts are certainly top of mind for us as well. Whenever we see a run-up in crypto, we see an increased interest in – from policymakers around the world. And so just kind of going back to our roots, Coinbase has always been a company that has tried to reach out, get – seek licensing, be the most regulated, the most trusted and also be really an adviser and a helpful voice for finance ministers and anybody around the world who's trying to think about this change that's happening to our global economy with crypto and how it can be really a source of strength and growth for the countries that embrace it, while minimizing the small amount of bad activity that's out there.

So we've continued that trend in recent months. We've met with a number of different regulators out there on a regular basis. We even had a meeting – I had a meeting last week with the Chairman of the SEC, Chair Gensler, which I think was very productive. There's a variety of different regulators in the United States. And this is part of what we talked about in our Digital Asset Policy Proposal is that it's kind of a jump ball right now at the federal level. There's CFTC, the SEC, the Treasury. And then, of course, we have state regulators as well with transmission licenses and lending licenses. This is just in the United States, one country of many, almost 100, where we have customers. And so it's kind of amazing that we, as Coinbase, we have 53 regulators in just one country, the United States.

And so part of what we talked about in that proposal, the Digital Asset Policy Proposal, was maybe it's time to have one regulator at the federal level in the United States. It could be underneath one of the existing regulators. It doesn't have to be a completely new entity. But it'd be nice to consolidate it a bit and use that as a way to enable more innovation in this space because, of course, Coinbase is a pretty large company. And frankly, it's almost better for us if there's more regulators because we can shoulder the burden of that as a larger company. But it's really harming the start-ups in the space more. And we really want this space to grow and have 1,000 companies to create economic growth and economic freedom here in the United States. As a financial hub and a world leader, I think it's important for the US to embrace that.

So that's part of what we proposed in the Digital Asset Policy Proposal. And I think with the tens of millions of Americans out there that are now using this asset class for all kinds of things, not just financial services and unique payments and things like that, but also art and new forms of governance and identity and the Metaverse and DAOs. And it's just so exciting that the millions of young people, the talented young people all over the US are coming into this field. And so I think most of the regulators we've talked to around the world are realizing that this is going to become something – it's going to become politically unpopular to ever tax crypto. But what we can all do and we all share these goals, both crypto companies and the regulators, is to come together and figure out how do we make this a safe industry. Let's get rid of the scams. Let's go prosecute those. Let's have good

consumer protection and disclosures, but also help the industry grow because that's going to be the best thing for America and the American people long-term.

**Anil Gupta, Vice President, Investor Relations:** Thanks, Brian. Our next question comes from Jake A. who had a financial strategy question. How should we think about compression in transaction fees driven by competition? And how do you plan on diversifying your revenue streams?

**Alesia Haas, CFO:** Great question, Jake. I'm glad you asked. So I will start with it. And we've shared before that we don't think of ourselves as primarily competing on fees today, as we believe the services we are providing are not commoditized. On the retail side, we compete on access to assets, which is why we focus on asset addition. We focus on products that allow our users to use their crypto, such as earning yields, through staking, transacting with Coinbase Card, and increasingly, the ability to more seamlessly interact with DeFi. So we're providing what we think of as a platform to a cryptoeconomy that is uniquely differentiated amongst a lot of our competitors.

On the institutional side, we're competing against the product suite as well where we offer an institutional-grade Prime broker, deep liquidity. We offer secure storage through our custody solutions. So fee is not the primary aspect that we compete on.

The only thing I would just want to share is that we haven't changed our fee structure in Q3 and haven't in some time. However, we do see the weighted average fee vary quarter-to-quarter depending on the mix of volume that we see on our platform.

So we did see a decline in our retail transaction fees in Q3 as we saw more volume from our Pro platform than our consumer platform. And this is very common in periods of low volatility like we saw in July that we see high activity remain under our institutions and our Pro users and retail or the consumer trading subsides a little bit. And the opposite is true for periods of high volatility like we saw in September and then we saw in October.

And so we do think in the long term, though, zooming out a little, that we will see fee compression as more and more products will become commoditized in crypto. And so we've already begun focusing on diversifying our revenue and you can see that progress through the growth of the line item in our subscription and services revenue.

As we shared in our opening comments, what we're really excited about is to finally see crypto enter the utility phase. And so users are not coming to us just to transact and buy and sell crypto. They're also engaging with products like staking, earn, borrow, lend. And this is just the beginning, as we've announced, that we're launching new products and services over the coming quarters that we think will further diversify these revenues.

So we think our job is to continue to build compelling product experiences, allow our users to engage in multiple ways beyond just transactions, and our goal is to become that primary financial account. And we think this will tampen out the revenue volatility and really diversify those revenue streams over time.

**Anil Gupta, Vice President, Investor Relations:** Our next question is about product experience. So Timothy S., Adam W. and Nicolas S. have asked, when can we expect to see improvements in the in-app functionality around cost basis, profitability, etc. of a position? And similarly, what are you doing to – what are you developing to help consumers come tax season?

**Brian Armstrong, Co-Founder & CEO:** Yeah. So I think I can take this one. So let me just talk generally about how we think about this and then I'll answer your question directly. So just how do we think about taxes and cost basis in crypto? Well, we want to make it easier and easier for every customer of ours out there to calculate this

so that it "just works." And you don't have to – if you bought some crypto and went up in value and now you want to spend it on an NFT or with Coinbase Commerce, that all just works. So we produce one simple form for you at the end of the year and the government gets a copy, you get a copy, just like any other kind of financial service firm out there.

So that's going to be great for crypto. And I think the good news is that we're getting very close to having that ready. So we've already started rolling out something called the Coinbase Tax Center. And basically, this is a single portal where customers can just download that one form at the end of the year. If you're using Coinbase products today, let's say, Coinbase Commerce, and you bought the crypto on Coinbase, we can help track all of that for you so you don't have to worry about it.

Now in the future, I would love to see the crypto industry actually even develop some kind of common standards so between different companies, it's actually interoperable. So it's like if you bought the crypto somewhere else, then you move it here, you spend it there, like there's a way to do information sharing behind the scenes. And so there might be more that we can do on that in the future. But I think the Coinbase Tax Center we're rolling out is going to be a huge step in the right direction and make it "just work" for people who are on Coinbase products at least.

Secondly, you had asked about cost basis and profitability, the gain-loss type summary. And this is a feature that we also feel is important and we've been working on it for a while. So by Q1, in time for tax season, you should see support for that rollout.

**Anil Gupta, Vice President, Investor Relations:** Thanks. So a question from Tony P. who asked about competition. How do you think about the competitive landscape? And who or what do you view as Coinbase's largest competitive threat?

**Emilie Choi, President & COO:** We think it's a very positive development when companies enter the crypto economy because we think it creates more innovation in the space, and we think that the TAM potential is kind of limitless here.

On the more traditional side, there are companies like PayPal and Square and Robinhood and traditional financial institutions who are entering, and we believe that that's a huge validation of the whole space. In many cases, we're actually collaborating with those companies and exploring ways to partner. And we've talked about our differentiation point relative to those companies as being crypto-native. We can offer features and assets more scalably because we have a crypto-native bench.

On the other side of the spectrum, you have lots of other crypto-native companies that are out there that we admire a lot. Their pace of innovation is kind of breathtaking. And we also view them, in many cases, as partners or collaborators, but also we look to them for inspiration in terms of what is resonating with crypto-native users. In many cases, those companies are not regulated and we can offer more usable, more regulated versions of those products to customers.

Customers, as we talked about, choose us for trust, ease of use, safety and security of our services. I think that, ultimately, the way that you should think about Coinbase in this market is we are kind of the best of both worlds in terms of we are the regulated player, we are the trustworthy player that makes things as usable as possible for our many customers. And then we also are crypto-native and we are able to offer many more assets and many more crypto-native features such as staking, rewards, borrow, earn, because of our exclusive focus on crypto.

**Anil Gupta, Vice President, Investor Relations:** Great. Thanks. So we'll take one more question from Say before going to some live questions from the analysts. Our last one here is from Milvia Y. and Jason M. who asked about international plans. How do you think about the product and future roadmap internationally, notably



across South Asia and South America? And additionally, Harshita Rawat from Sanford Bernstein asked if we could provide an update on recent launches in both Japan and Germany.

**Emilie Choi, President & COO:** Our platform is now available in more than 100 countries globally today and this is very much consistent with our mission to increase economic freedom in the world. We believe, to fulfill that mission, we have to have as deep global and broad global reach as possible. So we're working to build products with a ship international by default mindset. Crypto is very global, so our product capabilities need to be as well.

We obviously note that the adoption curve is different across different geographies and so we're mindful of which features to scale where and when. And we look at a host of different signals in these different countries and regions, including GDP, crypto volumes, both fiat to crypto and crypto to crypto, currency stability, and we look actively to kind of pursue both M&A and partnerships to help accelerate our path into those different geographies.

Alesia, do you want to talk about the latter part of that question?

**Alesia Haas, CFO:** Absolutely. So thank you for the question on Japan and Germany. We had shared in our Q2 Shareholder Letter, that we have just received licenses in both of these markets. And so they were long-awaited launches for us.

Just to go back, it's difficult to enter regulated markets, as you go through a long license application process with the regulators. So sometimes we don't know exactly when we will launch. As a result, when we launch in those countries, it is an MVP product. It's the first kind of foothold in a country. And so what we see in Q3 is we don't have a meaningful update to provide you in terms of those launches, but our goal is to develop very similar products in those markets that we have in the US, reduce customer friction, offer delightful onboarding experiences within customer rails. And that's what we're building towards in those markets to really be able to then market and grow those customer pieces. So not yet material, but we hope to have news in the coming quarters.

**Anil Gupta, Vice President, Investor Relations:** Okay. Super. Thanks. So with that, we'll now transition and take a few live questions from our analysts. So, Celene, I'll turn it over to you for the first question, please.

**Operator:** Thank you. [Operator Instructions] We have our first question coming from the line of Kenneth Worthington with JPMorgan. Your line is open.

**Ken Worthington, JP Morgan:** Good evening. Thank you for taking my question. The cryptocurrency markets have had a nice move in recent months and recent weeks. Do you think that the drivers of this interest in the cryptocurrency markets and ecosystem today, and I think you guys mentioned Web 3.0 a number of times in the prepared remarks, are different from the drivers that drove interest in the ecosystem late last year and even earlier this year? And maybe at a higher level, how is the interest in the ecosystem evolving for retail and corporate investors as cryptocurrencies evolve from the fringe towards more of the mainstream?

**Brian Armstrong, Co-Founder & CEO:** Yeah. Thanks for the question Ken. I can share my high-level thinking on this, and then, Alesia or Emilie, if you have any thoughts, please jump in.

I mean so I think if you go back really three, four, five years, a lot of these cycles in crypto were more speculative in nature. People were buying it because this was now a scarce digital good and then they thought it would be valuable in the future. And there were some people using it for payments and things like that, but it wasn't the primary driver. What's exciting now – and by the way, people would always ask me back then, this is like 2015, 2016, always asking me, what are the use case going to be here, right. Luckily, nobody is really asking me that question anymore. I mean we're now seeing these tons of use cases where like NFTs and games, and you're

seeing staking and borrowing and lending and Coinbase Card. And I think as Alesia shared at the beginning, I think almost half of our customers now, our active customers, are doing something other than trading crypto.

So I would say that I would hesitate to speculate on what is driving momentum because I think we try to take a long-term view of this, and I'm a little bit less concerned about what's the recent rally or whatever. We're always trying to think a little bit longer term. But to me, the most important thing is how do we drive more people actually using crypto for more things. We're now seeing that in the numbers. And I have to imagine that that's driving a lot of this recent growth. It's becoming less of a speculative thing.

So Alesia, Emilie, anything you want to add?

**Alesia Haas, CFO:** I agree with all of that, Brian. I would just – to connect the dots perhaps a little bit. When we see the growth of NFTs, that has a great tailwind effect to then the Ethereum, blockchain, the Ethereum assets. And then we've seen new development on Solana, which then has benefits for those underlying protocols. And so I do think it's just the activity in headline and innovation that we're seeing that is driving a lot of the overall crypto market count growth. I think that's definitely the case on the retail side.

And then on institutional, what I think we're continuing to see is new types of institutional investors decide to make an allocation to crypto. And what we see there is an adoption curve that starts with Bitcoin, typically then moves to Ethereum, but is quickly then picking up to other crypto assets. And we're seeing those investors looking for allocation to DeFi, finding ways that they can make bets in the growing innovation of crypto broadly.

So lots of different drivers, but it does feel different, as Brian said, that it feels less speculative and more driven by utility and broader adoption of crypto and in more traditional use cases.

**Ken Worthington, JPM:** Great. Thank you very much.

**Operator:** We have our next question coming from the line of Lisa Ellis with MoffettNathanson. Your line is open.

**Lisa Ellis, MoffettNathanson:** Terrific. Thank you. Thanks for taking my question. This quarter, we've seen the launch of crypto ETFs in the US. Can you talk a bit about how ETFs are affecting Coinbase or may in the future? And I guess maybe the broader question is, can you elaborate a bit on how Coinbase is thinking about partnering versus competing with some of the traditional asset managers that's crypto investing mainstream? Thank you.

**Alesia Haas, CFO:** Thanks, Lisa. It's Alesia. Maybe I'll start and then Brian, Emilie, feel free to add on. So first of all, we're actually all here cheering for the approval of the Bitcoin ETFs. And we think that it will benefit trading volumes just broadly in a crypto ecosystem and add to broader adoption as there are some institutions that don't have the ability to invest in underlying spots.

That said, we think it's a different market. So crypto spot markets are 24/7 global. There's never a dull moment in them. But an ETF market obviously follows the traditional securities timeline. And so it's not 24/7, and there'll be different traits that one can put on in each of those markets. So we think that they'll both attract different investors and different use cases.

Obviously, the Bitcoin ETFs will also benefit the broader spot market, and we have the ability to provide custody solutions and are actively having conversations that how we can support the broader ETF adoption. And while our business today is entirely spot, we do have ambitions of launching a futures trading business in the future and apply for approval to do so in the US. So we're excited about the potential for that future growth of our own business as well.

So in general, again, very positive. We're excited for the growth of the cryptoeconomy and what that will bring more users into the space.

**Lisa Ellis, MoffettNathanson:** Thank you.

**Operator:** Thank you. We have our next question coming from the line of Pete Christiansen with Citi. Your line is open.

**Peter Christiansen, Citi:** Good evening. Thanks for the question. Glad to be here. Brian, I appreciate your color on the question regarding policy, not – doesn't necessarily have to be under a completely different umbrella, but certainly a separate regulatory framework. But I guess how do you think about that in the context of having some cohesion with the traditional finance world on a regulatory front? I mean you have to get fiat dollars into crypto somehow. How are you thinking about a policy maybe should be formed around that notion? Thank you.

**Brian Armstrong, Co-Founder & CEO:** Yeah. Good question. Thank you for bringing it up. I mean, so Coinbase is certainly acting as a bridge between the traditional financial system and this new cryptoeconomy. And so we often need to play in both worlds, right? We – for instance, we're custodying customer funds in US dollars, and so we have money transmission licenses for that, as an example.

I think this might be a good question that, Alesia, I don't know if you have any thoughts on it or Emilie, feel free to add more context if there's anything that you want to add there.

**Alesia Haas, CFO:** Sure, I'll jump in with a couple thoughts, Pete. And I think - our goal right now is to get a regulator focused on crypto. And the reason we would like that is that the technology is just so different. And so if you think about how the traditional financial services regulatory environment grew up around the need for financial intermediaries -- banks, broker dealers -- to really facilitate the regulations and to be the interface between regs and the customers. The technology can provide some of those services directly in crypto. And so we need to make sure that the regulations and around the common spirit around yes we don't want to have fraud, we don't want to have scams. We want to protect customers. But can technology solve that in lieu of intermediaries, as an example. So we think that having a single regulator really deeply understand the technology and then help frame what the new principles for financial regulation in crypto look like will be helpful. But we also believe there will be assets that are securities. And those crypto securities will be regulated by the SEC. There will be crypto commodities that are regulated by the CFTC. And so there will be things that fall under traditional financial services regulation. But there are a lot of things that are new that need to be

adopted. And so having that focus we think is valuable. I don't know if that helps kind of frame our views.

**Brian Armstrong, Co-Founder & CEO:** No, I would agree with that. I think there are some parts which are probably applicable in this new crypto economy. It's like, of course, we don't want fraud, we don't want scams, market structure rules are probably good. They're there for good reason. There's some rules that we're always questioning, does this actually make sense in the new crypto company, because, as Alesia said, some of those intermediaries aren't there or it is a new technology paradigm. And so I think that's kind of the big, hard question in the room that a lot of regulators and policymakers are having to grapple with right now. And we're trying to be a helpful resource to them, some of these rules were created back in the 1940s around orange groves and things. And it's like we're living in this new world of crypto economy, are these really relevant or is this actually holding back innovation?

And so those are big questions to ask, maybe even above our pay grade a little bit, but I think they're important ones to ask.

**Peter Christiansen, Citi:** Thank you. Great.

**Operator:** Thank you. We have our next question coming from the line of Will Nance with GS. Your line is open.

**Will Nance, Goldman Sachs:** Hey, guys. Good afternoon. Good evening. Maybe just another question on the regulatory environment. I think Coinbase has always been thought of as one of the members of the crypto ecosystem that's been the most proactive with regulators with your approach to compliance. What are you seeing in conversations with regulators today? And when you think about the kind of lack of clarity or the lack of a regulatory framework around crypto, as it relates to your ability to roll out new products, I mean what do you feel should be prioritized the most to kind of pull back on the reins a little bit and let you guys kind of be more free to roll out new products? Is there a pipeline of new products that you guys are most excited about, but that you can't proceed with until there's more regulatory clarity?

**Brian Armstrong, Co-Founder & CEO:** Yeah. Thanks for the question, Will. I would say 90% of our interactions with regulators are really positive and constructive. And I generally feel like we're doing really well. We try to reach out proactively with everybody before we launch products well in advance and kind of give them a heads-up. And usually, that worked out pretty well. But one out of 10 times, when we see some kind of bad policy that's proposed and we feel like we have a responsibility to speak up and kind of for the industry as the largest player in the US and push back on it where needed, but our default is really just to proactively engage. And I think the vast majority of the time, the regulators that we interact with are really thoughtful people and with mutual respect, and we're just really trying to achieve the same outcome, same goals, which is consumer protection and fair market. There certainly have been times where we felt like we've wanted to launch a product and we've gotten kind of a different answer at the last minute about whether we were allowed to roll it out. And that's really – it's really tough on the team at Coinbase that have put a lot of time into building these things. So that's not always great, but this is a fast-moving space. We understand that these are complicated issues. So it's not always a simple answers.

Frankly, the regulators don't always have the resources to go meet with every single company in the crypto space. There's thousands of these start-ups now. So we're the largest company. We sometimes get more scrutiny. It doesn't feel great. Sometimes competitors have had something out there in the market for two years, and then we aren't able to launch it, suddenly at the last minute, it doesn't feel

like that's actually creating a fair market, a level playing field. So we try to avoid things like that, but I also understand why it happens. The regulators can't meet with every single company in crypto.

**Anil Gupta, Vice President, Investor Relations:** Operator, we have time for one more question, please.

**Operator:** Thank you. We have our last question coming from the line of Rich Repetto with Piper Sandler. Your line is open.

**Richard Repetto, Piper Sandler:** Yeah. Good evening. [Inaudible] blockchain rewards, revenue doubled, [inaudible] really drove the subscription revenue. So I guess I'm trying to understand, what is the sort of runway [inaudible] staking and Ethereum, but what do you expect? Can you continue to grow at it and at what type of pace given the great results you've had here in the last couple of quarter.

**Alesia Haas, CFO:** Thanks, Rich, for the question. I'm going to restate it just because your audio was a little choppy. So what I think your question was we've seen significant growth in our blockchain rewards revenue that grew meaningfully quarter-over-quarter and you're asking about what the trajectory is. Can you just confirm that I understood the question?

**Richard Repetto, Piper Sandler:** Yeah. That's exactly it.

**Alesia Haas, CFO:** Okay, great. Thank you for the question, Rich. Nice to hear you. We're really excited about the growth of blockchain rewards, which is predominantly staking revenue today. And the growth here is really around the growth of overall proof of stake networks and the growth of crypto overall. So one is we're going to add more proof of stake networks and offer staking and more assets on our platform. Two is we continue to have a waitlist for Ethereum staking and for the existing staking we offer, and so we're continuing to roll that out and bring more users into the staking assets that we do provide. And so we have existing runway with those assets. And those are going to be the two significant drivers of that growth. But we believe that this is the direction the industry is growing. Brian, I don't know if you want to comment on proof of stake networks and the overall industry view.

**Brian Armstrong, Co-Founder & CEO:** No, I think proof of stake is going to continue to grow. And I think staking rewards awards, these blockchain rewards as we call them, I think, will be an important growth area for us in the future. Yeah, I believe at this point, Coinbase is the largest Ethereum 2 staker, for instance, which is really great.

Emilie, anything you also want to add on this before we wrap up?

**Emilie Choi, President & COO:** I think it's a big source of innovation. This goes back to one of the other questions about what is driving kind of the activity in the ecosystem, and I think it comes back to this. And so we're pretty bullish on the potential for this, both as just helping the ecosystem as well as being an important source of subscription revenue for us.

**Anil Gupta, Vice President, Investor Relations:** Great. Thank you, Brian, Emilie, Alesia, and thank you all for joining us today. We look forward to speaking with you again on our next call.

**Operator:** This concludes today's call. Thank you for participating. You may now disconnect.

