

Coinbase Global, Inc.
Second Quarter 2022 Analyst Call
August 9, 2022

Anil Gupta, Vice President, Investor Relations: Thank you. Good afternoon and welcome to the Coinbase Second Quarter 2022 Analyst Q&A call.

Joining me on today's call is Alesia Haas, CFO. Before we get started I'd just 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 these results to differ is included in our SEC filings.

Our discussion today will also include references to certain non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are provided in the shareholder letter on our IR website. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, GAAP measures. And with that, Sarah, I'll turn it back over to you to kick us off.

Operator: Thank you. Your first question comes from the line of Pete Christiansen with Citi. Please go ahead.

Pete Christiansen, Citi: Good evening. Thanks for doing this again. Alesia, can -- I have two questions. First, (INAUDIBLE) a lot of that was passive this quarter given more staking. Can you give us a sense of what the like-for-like compare is there, because I would imagine a lot of us MTUs as a driver in our transaction model and also for average transaction revenue? That measure, I think that would be helpful.

Alesia Haas, CFO: Pete, the first part of the question didn't come through. What I thought you were asking was clarification on the composition of our MTUs broken out between our users that are investing and our users who are using non-investing products, specifically speaking.

Pete Christiansen, Citi: Correct.

Alesia Haas, CFO: Was that the question?

Pete Christiansen, Citi: Yes.

Alesia Haas, CFO: OK. Yes.

Pete Christiansen, Citi: Sorry about that.

Alesia Haas, CFO: No, no. I'm sorry. I should apologize in advance for this call. There was a fire drill in the building and so we are all taking this call from the lobby and the firemen are around us. So, if I cut anybody off ...

Pete Christiansen, Citi: Oh geesh.

Alesia Haas, CFO: ... I do apologize in advance, for full disclosure. OK. So, as we disclosed in our shareholder letter we are seeing more users now engage with staking products and the non-investing products. Roughly 67 percent, so roughly two-thirds, meaning 6 million users of the nine million MTUs were using that non-invest product in Q2. So you should think of it as one-third are doing trading and two-thirds are doing non-trading.

Pete Christiansen, Citi: OK. OK, that's helpful. And then you gave a lot of color around thoughts on market share loss in the quarter which was helpful. But maybe just to hammer in on that a little bit further, could you give us a sense at least for the retail portion of the business, what were net fiat inflows, outflows during the quarter? Just trying to get a (technical difficulty) specifically move on to other platforms (ph).

Alesia Haas, CFO: So are you looking for the assets on platform that were inflows and outflows? Or are you looking for trading volumes specifically?

Pete Christiansen, Citi: Well for the – for retail users did you see any outflows, fiat net inflows/outflows would be helpful.

Alesia Haas, CFO: Sure. So for the assets on platform, i.e. the users who are just holding the balances. They might not trade but they keep their accounts on our platform. We basically did not see material outflows from retail assets. So if you look at our assets on platform disclosure on page six of our shareholder letter we break down the retail assets on platform versus institutional.

And we talk about how the decline is largely due to price. So if you look at it, total assets on platform were down 63 percent, but crypto market cap declined 60 percent so the vast, vast, vast majority of that decline is just attributable to price. From there, approximately half of the delta between price and then other factors was attributable to just price effects.

So we don't hold all crypto market assets on our platform meaning there's assets such like the BNB coin or TRON that are not available for services on our platform. Depending on how Bitcoin and ETH and assets that we support versus assets that we don't support shift in value, we can price effects due to the composition of the assets on our platform and that attributed to roughly half of the decline in market share that we saw in the quarter.

What we don't see is any particular outflows from retail traders moving to other platforms that are abnormal behaviors compared to any other markets in which we saw price declines.

Pete Christiansen, Citi: OK. Thank you very much. I'll jump back into queue.

Alesia Haas, CFO: Thank you.

Operator: Your next question comes from the line of Chris Brendler with D.A. Davidson. Please go ahead.

Chris Brendler, D.A. Davidson: Hi, thanks for taking my question. Alesia, I wanted to ask on the institutional side, it's pretty exciting to see the staking opportunity unfolding there. I think we saw some interesting growth potential from Prime this quarter.

But still pretty small at least from a revenue perspective relative to retail. Does that change in the future? I think if you just talk about like the gross profit or the EBITDA profile of the institutional business versus retail would be very helpful. Thanks.

Alesia Haas, CFO: Sure, so we just rolled out staking for institutions in Q2. This is the first time we had the products available. Previously the way that institutions could have access in staking is via Coinbase Cloud and so they could have used our service to run their own node. But offering it as the delegated staking service similar to what we have for retail customers, we just onboarded institutional clients. It's very into Q2.

So what I would share with you is it's early days. We do see a lot of institutions holding Ethereum as an example as a stakable asset. However what I would comment there is we haven't yet rolled out a truly liquid staking option for ETH2. So when you stake ETH2 you are locking your assets into Ethereum until the Merge and then some period after.

For some institutions, that liquidity lock up is not palatable to them. And so, while they may be interested in staking, they want to have staking on a liquid asset. And that's something we are looking to solve for them.

And I think that once we have liquid staking available for the assets that institutions pooled in higher proportions, that's when we'll see the real material impact of institutional revenue. So I think it's further out, not a near-term phenomenon.

Chris Brendler, D.A. Davidson: And separately on the SEC on sort of the securities laws potential violations, I know it's not any good to go in terms of where you stand from a legal perspective, but can you tell us anything about the potential outcomes there or is that also too early to tell?

Alesia Haas, CFO: It's really early days. So as Brian shared, we do have an inquiry. We're sharing information with the SEC at this time. And we're hopeful that this will lead to broad clarity for the industry on better definition of what is a security and what is not a security as it relates to crypto assets.

We're also seeing, as we talked about, good bipartisan legislation coming out of Congress to help advance the views about maybe the FTC will regulate crypto, spot markets for those that are utility tokens, but it is early days.

And so, I think that the outcome will depend on how this proceeds, and we look forward to productive conversations and having an input into helping provide broader industry clarity.

Operator: Your next question comes from the line of Jason Kupferberg with Bank of America. Please go ahead.

Jason Kupferberg, Bank of America: Yes. Thanks, guys. I just wanted to start on I know, Alesia, you expressed some cautious optimism around the \$500 million EBITDA loss guardrail for this year, but just trying touch kind of sensitivities around that. I mean, hypothetically if the MTUs come in at the low end for the year, call it \$7 million, are we talking maybe the loss goes to \$550 or \$600 or is it something materially higher than that just so we can think through potential scenarios given that's obviously outside your control?

Alesia Haas, CFO: So I think we tried to provide a lot of disclosure on our outlook, and what I would encourage you to do is run your own sensitivity models. Our costs at this point are highly predictable. And so, we have fairly good visibility into our cost structures, assuming we don't make any material changes from this point forward.

So what I would encourage you to look at is running your own sensitivities, using the conversation we had around average net transaction revenue per user that we think will average out around in the low \$20s, and then seeing where that sensitivity. And when we do our modeling base and the inputs we provided you, we think that looks like realistic boundaries of where we could end the year.

Jason Kupferberg, Bank of America: OK. All right, so the cost picture is pretty much set at this point. Like you said, it does take time to fully realize benefits of subsequent cost options. So OK, we can – we can run that.

And then just a quick follow up on ARPU, I guess just the math which suggests the second half is being guided to around \$15 or about half that of second quarter level. So just wondering if you guys are going out of your way to build a little more cushion or conservatism into that forecast?

Alesia Haas, CFO: So this is all because of mix shift of the MTU. So as we talked about at the beginning of this call, we're seeing roughly 67% of those MTUs engaging in non-trading products. And so, our trading ARPU is really holding up very nicely. It's actually exceeding what we saw in prior crypto downturns at this time. However, as the mix shifts to more and more MTUs engaging with staking and non-invest products, so they're lower ARPU products.

And so, for us what we're assuming is that that trend continues through the back half of the year, which is what's driving down that average net transaction revenue per user, and that's what we're assuming for the back half of the year, which is what's dragging down that average net revenue -- transaction revenue per user. And that's what we're assuming for the back half level, based on the MTU mix, less so on like ARPU by product.

Operator: Your next question comes from the line of John Todaro with Needham & Company. Please go ahead.

John Todaro, Needham & Co.: Great, thanks for taking my question. Two questions here, on staking -- so you guys published in the shareholder letter the Ether that's custodied on the platform, with the Merge coming up and the staking you can do now, are you guys only staking the Ether and other assets that users opt into, or can you stake any of that...

Alesia Haas, CFO: That's correct.

John Todaro, Needham & Co.: ...that -- OK, so just the assets users are staking. OK.

Alesia Haas, CFO: That's correct.

John Todaro, Needham & Co.: Correct. OK. And then second question, just on the migration to advanced trading platform and the new fee structure there. So if the fees look like Coinbase Pro, can you just kind of walk us through a little bit, any color on the impact that average take rate?

It seems like it would kind of bring those numbers lower, is there something we're missing on that? I believe the migration will fully take place through Q1'23 where all the consumer users will be migrated over to the advance trading interface, correct?

Alesia Haas, CFO: That's right. So we have done extensive testing as we look to bring these two apps together and to create one Coinbase retail app that serves the needs of all users whether it's a simple trading experience or advanced trading experience. We have not yet seen significant cannibalization, and or any change to the average fee rate based on user mix of those two products.

Many users still gravitate towards the very simple trading experience and it is just our more advanced users who are spending more time in the retail advanced trading features. But we will continue to monitor this, and we will absolutely share with you as we see trends that are worth disclosing.

Operator: Your next question comes from the line of Kyle Voigt with KBW. Please go ahead.

Kyle Voigt, KBW: Hi. Good evening. Maybe just one follow-up, just regarding the SEC. You noted in the shareholder letter that those three individuals were charged by the SEC with insider trading. In that SEC filing, the SEC noted that nine of those 25 crypto assets were deemed securities under Howey, and just gave more color regarding each of those nine.

I guess from a legal perspective, are you viewing that as more detailed guidance from the SEC? And therefore, are you incorporating that already into your crypto asset listing process at this point?

Alesia Haas, CFO: Thanks for that question. So we absolutely take everything the SEC says into consideration when we look at our listing framework, and we look at these

assets. We do not believe at this time that the assets that we listed on our platform are securities.

Despite the additional information on these nine assets, based on our assessment these nine assets are not securities. We have filed a petition with the SEC because we do believe that there is additional clarity needed for all market participants to have very clear rules on what is or what is not a security for crypto assets.

And we've pointed out a lot of the challenges that there are with interpreting Howey, and questions that we would benefit by having the SEC more clearly articulate to the market so we can all have the same assessment of each digital asset security. But at this time we do not list securities. We look forward to a more productive conversation with the SEC on these topics.

Kyle Voigt, KBW: OK. And then for my follow-up, it's regarding something you talked about in the call which is competition and diversification. Some of your competitors in the U.S. seem to be gaining a bit of market share, and also simultaneously launching U.S. stock brokerage options and options of products.

And I recall from prior to the direct listing you took the view that Coinbase shouldn't be prioritizing stock trading as a new product and instead would kind of push further into crypto. I'm just curious, with some of these moves from your competitors, is that putting any pressure on you to maybe reevaluate that strategy? And maybe would kind of benefit your topline also to diversify into a wider range of trading products?

Alesia Haas, CFO: Thanks for the question. We are crypto first and crypto always. So, we don't have any intention of offering what we would consider a traditional security or stocks on our platform.

And for us what that means is we would not trade anything that is a CUSIP or a DTCC registered security. We are, over time, interested in talking about crypto securities and we do see this as a use case we'd like to support in the future.

So, any start-up trying to raise money that would be a crypto token, we would love for that to have a path where it could register with the SEC and have it trade on a crypto exchange because we think that that is a more efficient means for capital markets, meaning there's no transfer agents, if you think about crypto securities, they instant settle, they're globally liquid.

So, we think there's a lot of interesting benefits, but that requires a lot of work with regulators to think about how we bring those markets to bear. So, in the short term, we think there are so many opportunities in crypto utility, there's so much innovation going on with NFT and growth that we want to focus purely on crypto instead of replicating pieces of the traditional financial markets.

Operator: Your next question comes from the line Harshita Rawat with Bernstein. Please go ahead.

Harshita Rawat, Bernstein: Hi, good afternoon. Thanks for taking my question. Alesia, can you talk about the productivity within the organization? Your headcount is up quite a bit over the last one or two years and not surprisingly in cases like this productivity kind of ticks ahead. So, can you talk about that and also about the broader morale within the company? Thank you.

Alesia Haas, CFO: Happy too. And Brian has a blog post on this in July that I would encourage everyone to read because it speaks a little bit about this. We learned that we had scaled too quickly, quite candidly.

And we are now actually seeing enhanced productivity as a result of recent hiring and giving the hires that we made over the last year time to really get integrated. And so, we actually think that will be able to move faster as a result of this. We're also spending a lot of time in building more productivity tools.

We're moving towards organizing around product teams and giving them more autonomy and pushing decision-making down. And we believe that will help us accelerate our product roadmap and growth. I would say morale is quite strong. I think that we have a lot of people who joined Coinbase for the mission of economic freedom and for building a new open financial system.

Obviously, headline risks, the headline -- headwinds that we're facing in terms of crypto insolvencies, get everyone like a little moment of going, oh my goodness what's going to happen to crypto?

But we are big believers in the space and I think people are really excited about our mission and our roadmap and seeing the really positive feedback we get from the consumers on the products we're releasing.

We've had a number of wins lately in terms of being partners with Blackrock, for our institutional product platform and just that credibility of that brings for everything that we

built. Similarly picked by Facebook for our Wallet product -- I'm sorry, Meta, excuse me, for our Wallet product. I think that we're really proud of the products we're building and that really helps morale across the company.

Harshita Rawat, Bernstein: Great. And just a follow-up. Can you also talk about the derivatives product? I know ...

Alesia Haas, CFO: Oh, yes.

Harshita Rawat, Bernstein: ... right now you're just -- you're just doing it through third party brokers ...

Alesia Haas, CFO: We're just getting started, yes.

Harshita Rawat, Bernstein: when it is coming to Coinbase. Yes.

Alesia Haas, CFO: Oh, soon. Hopefully, soon. But yes, in Q2 we did have our first derivative product where we are now allowing other FCMs to plug into our derivative platform and trade derivatives, and we're really pleased in the early days of the volume that we are seeing on our platform.

But our true goal is to bring derivatives straight to our retail customers and direct to our customers on our platform. We are in process of licensure on our FCM license, and we hope to have that in coming quarters, but it is currently pending regulatory approval.

Operator: Your next question comes from the line of Patrick O'Shaughnessy with Raymond James. Please go ahead.

Patrick O'Shaughnessy, Raymond James: Hi. Thank you. Your 10-Q attributes most of the year-over-year growth in Other subscriptions services revenues to Coinbase One. Can we infer from that that Coinbase One is doing something like \$8 million in quarterly revenue right now? And are you able to quantify the impact if at all it's had on your retail take rate?

Alesia Haas, CFO: Yes. Let me speak about this quickly. So the Other subscription services include a few products. Coinbase Cloud is in there, Coinbase One is in there -- the two products that we've called out in our 10-Q. And we are seeing nice growth from Coinbase One.

I would comment that it is still early days. And so, we haven't broken out those financials for specificity yet with investors, but as we speak about in the product section of our shareholder letter, we are seeing early adoption, and we're actually seeing that Coinbase One users provide incremental ARPU as compared to a non-Coinbase One customer. And we're seeing that they engage in higher volumes across our platforms once they become a subscriber.

Patrick O'Shaughnessy, Raymond James: Great. Thank you. And then what are we reading into the decline in Earn campaign revenue the last couple of quarters? Does it imply that the market is getting saturated in terms of the number of coins that participants will be interested in or is it just more a function on the general backdrop for crypto?

Alesia Haas, CFO: The way that I would interpret this is Earn is generated from new asset issuers who think of it as like a marketing spend where they want to bring their coins for distribution on the Coinbase platform and educate our customers about the attributes and functionality of their project.

And so, think about this as prices have become depressed, those asset issuers say, gosh, do I want to dilute myself that much by giving out coins at a lower value? And so, it's much more of a discretionary marketing spend. It would suppress crypto prices for the long tail that they are less – putting less dollars towards this distribution channel.

Operator: Your next question comes from the line Bo Pei with US Tiger Securities. Please go ahead.

Bo Pei, US Tiger Securities: Hi. Good evening. Thanks for taking my question. So we mentioned the new features in our Coinbase Wallet app, right? I tried that personally, and I really like the new features, so could you talk about...

Alesia Haas, CFO: Thank you.

Bo Pei, US Tiger Securities: ... yes, the monetization model in the future and maybe your user adoption since we launched a new design, and the penetration within our MTU?

Alesia Haas, CFO: Thank you for that question, Bo. So currently the monetization of Wallet is that we monetize for DEX trading. So in your Wallet as you trade by a decentralized exchange, not a centralized exchange, we have a transaction fee no different than if you would trade on a centralized exchange.

That is currently the monetization that we have on Wallet. We believe DEX will evolve over time. We believe that Wallet will become somewhat like a profile within Web3 and that we will find different ways to monetize as people get more and more engaged in self-custodial solutions and in DeFi and Web3 overall.

We have not disclosed specific MTUs nor have we disclosed revenue on Wallet, and the reason is as we consider this one of our venture products. It's early days. We are starting to see nice adoption, and I think one of the things that really gives us a lot of heart is if you scroll through Twitter where a lot of their early crypto adopters kind of provide feedback.

We're getting a lot of praise for these new features that we've rolled out, and that's generating a little bit of organic growth and ways to get more and more people to start exploring Wallet, exploring DeFi. And so we think this is really going to unlock the door of growth largely internationally and put markets that we cannot serve with our core centralized products today as well as in the U.S. as people seek more features like engagement with NFTs and Web3.

Bo Pei, US Tiger Securities: Got it. And just a follow up, so you mentioned the future is going to be Web3, right, and we are seeing a lot of innovations in the space is actually from the protocol level. So as a regulated company how do we say innovative in the space? Like, for example, you mentioned liquid staking but we actually had that for a while on protocol level for some time but we haven't seen that in the U.S. for institutional level yet.

So I guess my question is as a regulated company how do we make sure we are competitive and innovative competing with these protocol or other less regulated oversea players?

Alesia Haas, CFO: It's such a great question, Bo, and it's something that we constantly challenge ourselves. We do believe that we have a foot in both. We think we need to have a product that is serving for early innovation, but we also think that we have to have a product that is going to meet large institutional demand. And when we think about our institutional customers, for example, they are seeking a qualified custodian in many cases.

They're seeking a regulated provider for their offering because they in turn are often fiduciaries where they have to provide these assurances to their end clients. And so we

are seeking to learn from the innovation that's happening in DeFi, meet that and grow that for customers who can experience that.

And then also create a very similar experience in a regulated environment so we can meet the breadth of the market and serve all of the customers on our platform because we think we're building products both for our retail users, our institutions and for the developers in the ecosystem of crypto.

So we take that on as a challenge, but this is the opportunity that we see for our platform that we can build on our years of experience with compliance and building custody solutions that we can find ways to offer that innovation in a regulated offering as well.

But we think that you're right the innovation is happening so quickly in DeFi which is why we're also so excited about our Wallet offering and being able to support the growth and innovation and customer adoption through that product as well.

Operator: Your next question comes from the line of Ken Worthington with J.P. Morgan. Please go ahead.

Ken Worthington, J.P. Morgan: Hi, thank you. Alesia, maybe first a comment. I was hoping that you would consider maybe shrinking the quiet period. So crypto markets are so complex and you guys go into the quiet period on the 15th of the month prior to quarter end. So it means that you're in the quiet period for about two months of the quarter and outside of the quiet period for just one month. So anyway, an ask –

Alesia Haas, CFO: I will ask – I will ask my legal team.

Ken Worthington, J.P. Morgan: Yes, --

Alesia Haas, CFO: It's above my pay grade, Ken.

Ken Worthington, J.P. Morgan: Yes. We need all the help, I'm sorry, I need all the help I can get. So appreciate the extra time if possible. I wanted to flush out liquid staking. I think the first question here on the call was on the institutional side.

Any help you can give us on how it works? And is it available right now on the retail side? And if not, is it something that might be available near term. Is this aspirational in like five years? Could this be in two quarters? Any help on how it works and when it might reach retail would be great?

Alesia Haas, CFO: Sure. So there are products in the market today that provide liquid staking for retail. They aren't directly available on the Coinbase platform.

But it's something that we're actively exploring, because we do believe that there could be more user adoption of Ethereum in particular, which has a very long lockup period, if we could find a way to offer a liquid staking. Something we're actively exploring and evaluating, and hope to be able to launch something in coming quarters.

Ken Worthington, J.P. Morgan: OK. And then, how do you think about the risk of that? So a bunch of the CeFi firms that blew up...

Alesia Haas, CFO: Yes, absolutely it was an asset liability...

Ken Worthington, J.P. Morgan: ...element...

Alesia Haas, CFO: Yes.

Ken Worthington, J.P. Morgan: Yes.

Alesia Haas, CFO: Absolutely. It's all about asset liability management. You are right and we have a risk team that all grew up in financial services, all experienced the 2008, 2009 market. We have a market risk team, a credit risk team, a liquidity risk team and we spent a lot of time thinking about these issues. So that is why we may be slower to market.

And if I go back to Bo's question earlier, we do think about bringing these products to market in a regulated offering. We may not be the fastest to market because we think that prudent risk management is core to our product offering.

So, this is something that we're evaluating how we do this, but also are thoughtful about what the tradeoffs of risks and benefits are to our clients, and how -- if there are risks how we properly disclose and make sure that there's broad awareness of risks that clients would be undertaking by participating in these products.

Operator: Your next question comes from the line of Lisa Ellis with MoffettNathanson. Please go ahead. Lisa Ellis, your line is open.

Lisa Ellis, MoffettNathanson: Oops, sorry about that, was on mute briefly. I hope everything is OK in your building. I was hoping...

Alesia Haas, CFO: Thank you.

Lisa Ellis, MoffettNathanson: I was hoping maybe you could -- maybe if you could elaborate a little bit on the Blackrock relationship. Meaning, how should we think about how this one and other types of relationships, perhaps like this one, will affect your business?

Like, do we think of it sort of just similar to scaling the institutional business sort of in the way it is today, or are there other aspects of it like other products that will be featured? Or -- you know what I mean? Like, how should we think about that as we're kind of thinking about the longer term outlook? Thank you.

Alesia Haas, CFO: So what we've announced at this point in time is a partnership with Blackrock's Aladdin product, which is their risk management system, which is how many asset managers provide their risk management, their operational management, look at their entire portfolio.

And what this does is it brings crypto into the mainstream where it's going to sit aside traditional stocks, bonds, and other trading products that customers -- hedge funds and asset managers participate in.

And so, we're really excited about this because one it brings it in to very typical risk controls and operational processes, which is a big hurdle, quite candidly, for many companies if they're looking to explore crypto because they've got to think about now how do I custody crypto? How do I trade it 24/7?

And so, I think that this brings more utility and more mainstream awareness of crypto to institutional investors. This is not a new product or services, so what Blackrock is doing is leveraging then the pass through of our custody product, our prime brokerage product which is also Coinbase Prime and enabling their customers who are also customers of Coinbase to trade seamlessly through these two platforms.

I think that this will generate just more interest in our institutional product, and so it's just more of a wave of adoption in that we continue to see institutional interest in this asset class and we're bringing more connectivity between crypto and traditional asset management.

Lisa Ellis, MoffettNathanson: Got it. OK. OK, and then a quick follow-up. Sorry for all the balance sheet questions today.

Alesia Haas, CFO: No, let's do them. Yes.

Lisa Ellis, MoffettNathanson: I noticed that in the filing, and actually I apologize, I haven't quite looked at the Q yet, so maybe it's in there. But you added customer crypto assets onto the balance sheet this quarter, I think for the first time...

Alesia Haas, CFO: Yes.

Lisa Ellis, MoffettNathanson: ...so just always...

Alesia Haas, CFO: That's correct.

Lisa Ellis, MoffettNathanson: ...the thought process -- yes, exactly. Kind of, can you just walk us through...

Alesia Haas, CFO: Yes.

Lisa Ellis, MoffettNathanson: ...for understanding what was the thought process behind that? And are you back-stating then, backward as well? Or just starting this quarter? Thanks.

Alesia Haas, CFO: No. OK, sure. So, SEC brought forth SAB 121, which is new accounting guidance in Q2 that required us to put customer assets on our balance sheet, for which we're providing safeguarding services.

And so, if you look at Robinhood or Square this quarter you'll see similar disclosures around their customer crypto assets and liabilities which are now on the balance sheet. Technically these are safeguarding assets and liabilities. As you can see we hold them one-for-one, so on our balance sheet you'll see customer crypto assets and customer crypto liabilities of the same dollar amount, so it completely offsets.

And this -- if you look historically, we have always provided a metric in our key business metric, which we refer to as assets on the platform. What this is, has been acknowledging that maybe the SEC liked our report or maybe they brought forth a rule so that they were just saying, oh that's such a good disclosure, let's put it on the balance sheet.

But it's the same metric that we've always disclosed. We disclosed crypto plus fiat and now you can crypto plus fiat broken out as two line items on our balance sheet.

And so, because this was new accounting guidance we are not going back and filling in prior quarters, but again, you can look at assets on platform from our prior quarters and get a sense of the trend. There was no difference in the calculation between the metrics that we used to provide and now the balance sheet disclosure.

Operator: Your next question comes from the line of Rich Repetto with Piper Sandler. Please go ahead.

Rich Repetto, Piper Sandler: Good evening, Alesia. Good to chat with you here. The -- just another question on the Blackrock and Meta ...

Alesia Haas, CFO: Yes?

Rich Repetto, Piper Sandler: ... a lot -- yes, I guess the question is, and it speaks to your positioning in the industry. So, a number of times you've used selected, so could you talk about was it a competitive process and how did the process go where they picked you?

And then, I thought the terminology has changed since the initial press release about it was just your customers and now it says something like your customers or potentially future customers or something to that sort, that the wording might have changed here a little bit.

Alesia Haas, CFO: Sure. I don't have the previous press release in front of me. So, let me -- let me share with you the current state and let me share with you. So, any customer of Blackrock has the ability to then become a customer of Coinbase and integrate the service and trade on Coinbase via the Blackrock platform.

So, because of KYC requirements, et cetera, that you can't just be a Blackrock customer and then trade on Coinbase, you also become a customer of both platforms. And so, that may be the confusion between the customers today who already have the turn on versus customers in the future. I can't be specific, I don't have all the words in front of me, but happy to follow up with that would be helpful.

And then on your first question, was it a competitive process? What I can share with you, it's a multi-year process to bring forward this business development partnership with Blackrock.

What we find for all institutions and I'm -- this is broadly not just to the Blackrock comment specifically, when they're looking to select a crypto platform for custody for trading, just like they would for any other TradFi custodian or broker, they go through a thorough operational due diligence process, because they are a fiduciary and they need to make sure that they've got their platforms in which they participate. So, we are no different in crypto.

And so, yes, we know that it was a process for any of our institutional customers to select us because we go through extensive operational due diligence questionnaires before they chose to onboard a partner with us.

Rich Repetto, Piper Sandler: Got it. And then just a quick follow-up. In the impairment of crypto assets, you went through the accounting, which is a little ridiculous, but where the price goes down you got to write it down to that price and never write it up until a sale.

Alesia Haas, CFO: Yes.

Rich Repetto, Piper Sandler: So, I guess the question is if crypto and we'll say in the other assets in -- other tokens in general, if crypto doesn't go back down to slightly below \$1,700 in the quarter of last half of the year we won't see write downs on Bitcoin anyway.

Alesia Haas, CFO: That's correct. So at this point we've written it down to the low of Q2. And so, it'd have to reach a new low for the existing assets that we have. If we bought a new asset today, let's say, and then it went down, we would take impairment on that new asset, but for all assets that we held as of June 30, the price would have to drop below the second quarter trough of \$17,000 for Bitcoin as you said for us to take a further impairment on that asset.

And that's why if you look in our disclosures you can see, for example, on page 53 of the 10-Q or on page 17 of the shareholder letter we have a table where we share the cost basis, which was \$290 million roughly, versus the fair value of \$428 million, and that reflects the fact that we impaired down to the lowest point, but then because of price appreciation intra-quarter the fair value at June 30 had come back up to \$427 million.

Anil Gupta, Vice President, Investor Relations: We have time for one more question.

Operator: Your final question comes from the line of Owen Lau with Oppenheimer. Please go ahead.

Owen Lau, Oppenheimer: Thank you for getting me in for the last question. Could you please give first a little bit more color on international expansion? I think you recently obtained license from Italy, and you have the license in Japan and Germany. Could you please talk about your progress and timing of offering products in these countries? Thanks.

Alesia Haas, CFO: Yes. Owen, I think this is perfect. You were my first question and the last question today, so happy to close it out with you. So first I'm going to speak about the European licenses, and then I will speak about Japan.

So with Germany and Italy as an example, we were previously serving customers in those regions. We've had products available in Europe for the last few years. However, as crypto regulation is evolving, what we found is that Germany and then Italy were requiring a very specific crypto license to continue to be able to provide products to their customers and to market to those customers.

And so, what this licensure enables us to do now is, one, continue offering the products that we already offered, but now also market directly to the customers in those markets. So not a material change in Europe is what I would say, although it is an importance that we're continuing to get the requisite licenses to maintain and expand our business.

That is very different from Japan as an example where we didn't have products and we went through a multiyear process to be able to get a license from the JFSA and then introduce products into that market.

What I would share with you is that has been a slower process than we would have liked, and we are continuing to build functionality and capability in that market. There's some uniqueness as it relates to fiat rails and bank integrations that we need to bring that product up to speed and make it more equivalent to our U.S. offering before we will see material growth and revenue from it, and we're still working towards that goal.

We continue on just a broader international expansion. It's part of our prioritization and we are now sequencing markets, but we have a few high priority areas we are working towards. We're starting to build teams in Australia and Brazil to bring products to that market.

Depending on the regulatory framework and how long it takes to get licensure, we will see different speeds of entry into the various international markets, but our entire goal is to work in a regulated way, ensure we build the right banking partnerships, get the right licensures so we can offer the fiat to crypto products to that customer base.

Owen Lau, Oppenheimer: Thank you very much.

Alesia Haas, CFO: Thank you. Have a good evening, everyone.

Anil Gupta, Vice President, Investor Relations: Thank you all for joining us, and we'll look forward to talking to you again next quarter.