Coinbase Global, Inc.
Second Quarter 2025 Earnings Call
July 31, 2025

Anil Gupta, Vice President, Investor Relations: Good afternoon and welcome to the Coinbase Second Quarter 2025 Earnings Call. Joining me on today's call are Brian Armstrong, Co-Founder and CEO; and Emilie Choi, President and COO; Alesia Haas, CFO; and Paul Grewal, Chief Legal Officer.

I hope you've all had the opportunity to read our shareholder letter, which was published earlier today on our Investor Relations website. During today's call we may make forward-looking statements, which may vary materially from actual results. 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 certain non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are provided in the Shareholder Letter on our Investor Relations website. Non-GAAP financial measures should be considered in addition to, not as a substitute for GAAP measures.

We'll start today's call with opening comments from Brian and Alesia, and then take questions from retail shareholders and our research analysts. With that, I'll turn it over to Brian for opening comments.

Brian Armstrong, Co-Founder and CEO: Thanks, Anil. It was another great quarter for Coinbase, and we continue to ship innovative products, drive strong financial performance, and advance regulatory clarity for the industry.

Total revenue came in at $1.5 billion, with positive adjusted EBITDA of $512 million. And we now have $9.3 billion in total USD resources, with $1.8 billion in our growing crypto investment portfolio fueled by weekly Bitcoin purchases.

I want to give a quick refresher on why we're here and what we're building toward. Our mission is to increase economic freedom for everyone, everywhere. Crypto is eating financial services, and our goal is to be the #1 financial services platform in the world across custody, trading, payments, staking, borrowing and lending and more.

Our focus this year is to drive growth in our core businesses: trading and stablecoin payments. And I want to share three key areas that we made progress towards those objectives this quarter.

First, on trading. We've always believed that every asset class will move onchain. The customer's technology and regulatory environment are now finally ready for it. People want to invest capital across all asset types, from stocks to commodities, to real estate, to crypto including meme coins and the long tail of assets. And even how startups raise money and all capital formation is going to be rebuilt onchain where markets are cheaper, faster, global and open to everyone.

So we've been making investments in this area for some time and our goal is to build what we're calling the Everything Exchange. Every asset you want to trade in a one-stop shop, all on crypto rails. This means, to start, we're enabling access to millions of spot crypto assets. This is the number one thing our customers want from us. And in Q2, we hit over 300 total assets listed on our exchange. Next week, we'll be rolling out the next chapter of our asset addition strategy by integrating decentralized exchanges right into the Coinbase app, which will eventually enable access to millions of tokens.

Next, it means offering the most global and compliant suite of perpetual futures and options to meet the needs of advanced traders. And we now have a comprehensive derivatives product suite. We recently launched 24/7 trading of Bitcoin and Ethereum contracts, and we launched perpetual style futures in the United States, which hit an all-time high in trading volume this week.

Finally, we announced our acquisition of Deribit, the world's leading crypto options exchange with over $30 billion of open interest.

And now we're currently working towards launching tokenized equities to meet the moment in this new regulatory environment. We've always said we're updating the system and building the bridge to bring equities on to crypto rails is the next phase of our strategy. We may integrate with traditional brokers as a stepping stone towards this vision to provide liquidity, but we believe tokenized equities are more efficient with global coverage, 24/7 trading, instant settlement and the ability to offer perpetual futures. The total addressable market for this is massive. Capturing just 3% of equities trading would double the current crypto market.

Over time we'll bring all asset classes onchain including prediction markets, real-world assets and more. And we're building on the frontier committed to doing this in a compliant and trusted way, which we've done for many years, while making it easily accessible to everyone. So that's the Everything Exchange.

Next, let's touch on how we're accelerating crypto utility with our full-stack payment solutions. We see payments as the next big use case in crypto and believe that the majority of all payments in the economy will eventually run on stablecoin rails because they are faster, cheaper, and global. Passage of the GENIUS Act will fuel further innovation and adoption of stablecoins, and we are uniquely positioned because we have both the broadest distribution base for USDC and the best rewards program for customers.

We're one of the only companies with a vertically integrated payment stack. This includes USDC, the largest regulated dollar stablecoin; Base, the most popular Layer 2 solution on Ethereum; consumer applications and wallets with millions of retail users; and payment APIs to power businesses and developers. Together, these offer a faster, cheaper, and more global payments solution. In Q2, we announced our stablecoin payment APIs, which enable businesses, merchants, and developers to easily accept and pay in stablecoins with partners like Shopify, already live in market now.

Finally, I'd like to spotlight how we are leveraging our deep experience in building crypto infrastructure to power the next wave of businesses coming into this space. We now have over 240 businesses using our Crypto-as-a-Service capabilities to power their custody, trading, and payments needs including BlackRock, PNC, Stripe, and PayPal. We power over 80% of the custody for crypto ETF issuers. And we're a trusted partner to over 150 government agencies and institutions to help manage and safeguard crypto assets with regulated and secure solutions. As the most trusted name in crypto with the longest track record of success, we are the natural partner for any company or government entering this crypto space.

So in closing, with regulatory clarity finally emerging, we believe crypto rails are poised to power an increasing share of global GDP, and update every aspect of the financial system. And Coinbase is the company best positioned to capitalize on this trend. I'll now turn it over to Alesia.

Alesia Haas, CFO: Thanks, Brian. Good afternoon, everyone. We have long said that crypto is not linear on a quarter-to-quarter basis. And Q2 was no exception. Amid lower volatility and non-Bitcoin price headwinds, we were focused on execution.

Our business grew stronger as we grew native units across the board in USDC, staking and custody. We saw all-time highs in derivatives trading volume, quarterly Base transaction volume, prime financing average loan balances. And further, we are encouraged by the positive reception for our new products, like Coinbase Card, the Base app, U.S. perpetual futures and Coinbase Business.

Total revenue was $1.5 billion, Net income was $1.4 billion, Adjusted EBITDA was $512 million, and Adjusted net income was $33 million. Let's dive into these results. As typical, all comparisons I'll share are on a quarter-over-quarter basis unless I note otherwise.

Let's start with the market backdrop. Crypto asset volatility declined 16%, despite the average crypto price market cap being roughly flat. We saw shifting macro conditions including trade policy considerations and recession concerns impact risk assets broadly. And crypto assets were no exception.

We saw a divergence between Bitcoin and everything else, as the average Bitcoin price in the quarter was up 6%, whereas non-Bitcoin asset market cap declined 11%. In the second quarter, the U.S. and global spot markets declined 32% and 31%, respectively. Our total trading volume declined 40%.

In March, we made an intentional price change to our stablepairs in our Advanced product. This was in our control and we made a decision to focus on revenue over trading volume. Historically, stablepair trading was a largely zero fee product for us. When you exclude the impact of the lower stablepair volume, our total trading volume was more similar to the overall spot markets.

Our consumer spot trading volume was $43 billion, down 45%. And consumer trading revenue was $650 million, down 41%. In the quarter, we saw consumer spot volume shift towards Simple as opposed to Advanced given the lower volatility environment.

Institutional spot trading volume was $194 billion, down 38%. Institutional transaction revenue was $61 million, also down 38%. In the last quarter, I mentioned that we expected $30 million to $40 million of impact in our Q2 institutional transaction revenue due to increased investments in incentives and rebates programs that we intended to drive liquidity and market share in our derivatives products. We did make this Q2 investment. However, this ended up being recorded as a transaction expense due to the incentive programs design and the client activity mix.

Now turning to subscription and services revenues of $656 million. As I mentioned earlier, across the board, we saw native unit balanced growth including average USDC in our products, growth in staking native units, and custodied assets. We also saw all-time high loan balances in Prime Financing. However, underlying asset prices, specifically in Ethereum and Solana, and protocol reward rates headwinds offset this growth quarter-over-quarter.

Our total operating expenses were $1.5 billion. Without the previously disclosed May data theft incident and the associated $307 million expense that we recorded in the quarter, our total operating expenses would have declined 9%, alongside the softer market conditions. We ended the quarter with just under 4,300 full-time employees, which was up 8%.

I would like to draw your attention to some specific events that materially impacted our GAAP profitability results this quarter. First, a $307 million expense from the data theft incident I just mentioned. Second, a $1.5 billion unrealized gain on our strategic investments. Our strategic investments include our investment in Circle, which is now public. Going forward, this line will fluctuate in line with their stock price. Third, a $362 million gain from the ongoing fair value remeasurements of our crypto investment portfolio.

Net income was $1.4 billion, and includes the impact of those three items I just mentioned. Adjusted EBITDA was $512 million, and excludes those three items I just mentioned. Adjusted net income was $33 million, and we have updated our calculation to adjust net income for all gains and losses on both crypto and strategic investments.

We believe that Adjusted EBITDA and Adjusted net income, while no substitute for GAAP measures, are very useful metrics to assess the recurring operating business results, excluding gains and losses from the investment portfolios. Additional detail can be found in our Shareholder Letter.

Now let's turn to our Q3 outlook. Q3 is off to a strong start, with higher asset prices and higher volatility. July transaction revenue is approximately $360 million. We expect our Q3 subscription and services revenue to be within the range of $665 million to $745 million, or up approximately 8% quarter-over-quarter at the midpoint, driven by higher average crypto prices and stablecoin revenues.

On the expense side, we expect technology and development and general and administrative expenses to be between $800 million and $850 million. Opportunities for growth have expanded substantially with increased regulatory clarity. We are leaning into this opportunity with headcount growth. We do expect higher Q3 headcount growth than we saw in Q2. And we are directing this growth into the product areas Brian mentioned earlier. We expect our Q3 sales and marketing to be in the range of $190 million to $290 million. With that, let's go to questions.

Anil Gupta, Vice President, Investor Relations: Great. So we received a few different questions on tokenization. How does Coinbase plan to implement tokenized securities and compete for market share as demand increases? How can Coinbase ensure risk management compared to traditional finance and tokenized securities? Is there a timeline for stock tokenization or real-world assets? Brian?

Brian Armstrong, Co-Founder and CEO: Yes. So first off, we are very excited about tokenized securities, much in the same way that getting a digital dollar, we have $1 in a bank account and you can mint a token, it's one-to-one backed. I think early on, people were wondering what those would be used for. "Hi, can't you already send dollars to each other, right?" And so in much the same way, crypto has an opportunity to update the financial system here in the securities world.

And we don't know exactly how it will all play out, but there are interesting opportunities around getting more global distribution, of creating some of these securities. There's a high demand for U.S. assets in many places in the world. People can't easily open a brokerage account.

We think that new types of markets like perpetual futures around these securities could be interesting in the tokenized securities world. Obviously real-time settlement, 24/7 trading, fractional shares, there could be novel forms of voting and governance that happen onchain. It's really hard to say where this will go. But we think that ultimately getting these assets tokenized onchain is going to unlock a lot of value.

And in terms of how we get there, there's a lot of steps. I mean we will probably have to integrate with a traditional broker. It matters how you custody the underlying assets. It matters for customers that want to trade with margin or in some of these products. Risk management becomes very important, which the question asked about.

But that's what we do best, right? A lot of this comes down to can you hire the right people with the right expertise from different areas of tech and finance to come together and produce these systems? And I think that's what Coinbase has done best over the last 12 or so years, is we've built products that are the most trusted, most compliant, and that they're easy to use for everyone.

They don't have to understand that it's onchain. They don't even have to care that it's onchain. They just want to be able to trade these assets and get exposure to them and build the best product. And so that's what we're going to do. We're working hard on it. We'll keep you updated over the coming quarters as we make progress. But yes, that's the plan for now.

Anil Gupta, Vice President, Investor Relations: Thanks, Brian. Next question. What's the projected growth in terms of revenue as well as usage for the Base app? What's being done to push for a massive adoption of blockchain-based ID on Base for the general public so that Coinbase will compete with more mainstream tech companies like TikTok and Meta? Brian?

Brian Armstrong, Co-Founder and CEO: Yes. I'm very excited about Base. This is our attempt to really build on the frontier with crypto utility, where there's lots of these building blocks have come together over the last really 10 years. Some of them we helped build, others, the rest of the industry really helped build. And these are things like a decentralized identity that uses a standard called ENS. You can have a trusted stablecoin like USDC. We now have a scalable blockchain with Base. There's decentralized messaging protocols, ways for people to build applications, and decentralized social media protocols.

So this is kind of a super app that we've put out there. It's in beta. There's actually 700,000 people on the wait list already. And so there's been a ton of demand for it and excitement about it. I think people are the most excited about this idea that, as a content creator, whether you produce a podcast or art or video like YouTube, or just text like on X, people can put out this content and earn directly from their audience. That's a big deal. It kind of changes the traditional business model of the Internet that was more ad-based because now the Internet has a native money layer.

And so our goal is to eventually get 1 billion people onchain. I think self-custodial wallets like Base and these new applications we're building on top of it can really help us achieve that goal, but it's going to be a long journey. And blockchain-based IDs like a Basename, which every user who signs up gets a free Basename using the ENS protocol, they control that name, they control all the data and information associated with it. It's not controlled by a big tech company. And so that is a new model that I think a lot of consumers out there are interested in and content creators as well.

Anil Gupta, Vice President, Investor Relations: Okay. And then the final question, what are Coinbase's strategic goals behind the partnership with PNC Bank? And are there other plans to partner with other banks in the future? Brian?

Brian Armstrong, Co-Founder and CEO: Yes. Well the overall goal is really just expanding the market. There's a lot of companies coming into crypto now and many of them don't want to have to try to go build a lot of this themselves. It's really difficult and complicated to store these private keys in a secure distributed way, to integrate with the different blockchains that are out there, to trade and do payments and financing onchain. So what they're doing is they're coming to Coinbase. And we've been doing this for a long time.

And so a long time ago, we decided to expose the services we built internally for our own products, making them available to third parties as infrastructure, a lot like what Amazon did with AWS. So we call this Crypto-as-a-Service or CaaS. We have about 240 institutions now or companies that are utilizing these Coinbase rails in various ways today. And we just recently announced PNC. It's been great working with them. But there's a lot of others that we're building as well. JPMorgan, we've made announcements around that, eToro, Revolut, Webull, there's a lot more in the pipeline.

So if you're a bank or a broker or a fintech company or a payment service provider or a Web2 company, or really anybody -- I think eventually, most of the Fortune 500 will integrate crypto in some way, just like they all use the Internet. And so for those that are out there trying to think about how to do that, give us a call. You can basically just Google Coinbase Crypto-as-a-Service and find our offering.

Anil Gupta, Vice President, Investor Relations: All right. So Kate, let's switch gears and take our first question from the line, please.

Alesia Haas, CFO: While we're waiting for the operator to join, Brian, maybe I could ask you another question.

Brian Armstrong, Co-Founder and CEO: Sounds good. Let's do it.

Alesia Haas, CFO: Brian, I think that probably our investors are really curious about stablecoins and our payment stack given the CLARITY Act, given the number of new market participants. Share with me who we think the target customers are, how we think we will differentiate in the market, and are we looking to disrupt Western Union? Are we looking to disrupt Visa? Are we looking to disrupt the bank? Like how do you want to think about our product stack going against other payment products in the market?

Brian Armstrong, Co-Founder and CEO: Yes. Well payments is a big category, right? There's merchant payments, there's e-commerce, there's peer-to-peer payments.

One of the biggest areas that we're focused on first is really around B2B payments. A lot of this is cross-border. We think that actually cross-border payments is about a $40 trillion opportunity. B2B is 75% of that.

And stablecoins have already started to see some adoption here and product market fit. There's about -- I'd say there's about $100 billion of stablecoin volume now annually, up from about 0, two years ago. So it's growing very quickly.

And so we -- as we go to market, we're kind of really relying on this full stack that we've put together. I sort of mentioned this in my opening comments. But we have Base, which is the most popular Layer two solution. You can now do fast like under one second, under $0.01 anywhere in the world payments on Base. It's really performant. We have USDC, as our partnership with Circle, which is the most trusted regulated U.S. stablecoin. And then we also have these payment APIs we've built for businesses and developers. And we have consumers as well with a lot of crypto in their wallet that they want to go spend in the Coinbase app, now the Base app, even with Coinbase Card, these things we've put out.

So I think we're really one of the only companies in the world that has this kind of full stack that we're putting together to try to ignite this. And so lots of companies have been reaching out and asking about how they can make their B2B payments better and faster and cheaper and more global. So yes, and we announced some of these already with Shopify and others, but there'll be more coming in the pipeline. It's really a big area of growth and focus for us right now.

Anil Gupta, Vice President, Investor Relations: All right. Thanks, Brian. So we're having a little bit of a technical issue. I would ask analysts who want to ask a question to please just email us directly and we'll read them on your behalf.

The first one I'll read is from Ken Worthington at JPMorgan, who wants to dig into payments and the role Coinbase sees for itself in payments over time. There were two big announcements in the quarter, Shopify and Commerce. Are you looking to build an alternative network to Visa and MasterCard that ultimately is open to all? Or are you looking to create use cases for Coinbase customers such as the Coinbase credit card as an example? Does it make sense to have both? But ultimately, which is your focus? Is the monetization feature for payments transaction fees or USDC payments from Circle, or is Coinbase ultimately in a position to be able to collect both?

Brian Armstrong, Co-Founder and CEO: This a great follow-on to Alesia's question actually, and she asked a part of this as well that I didn't fully answer. Coinbase is not really competing with Visa and MasterCard. We actually partner with them in many ways on the cards that we put out there.

But I do think that decentralized protocols are competing with them, right? I think that an open standard is actually more efficient and fair. It's kind of like the Internet, right? Anybody can build on top of it. It drove a lot of prices down. It democratized how information moved around the world, and there were fewer gatekeepers.

And so I do think that Visa and Mastercard are on top of this as well. They're looking -- they're very involved in stablecoins and crypto at this point with different innovative projects that they're working on. Some with us, some with others. I think that the best companies will adapt to this change, but it's absolutely a massive change that is coming and we want to attack this from both sides.

We want to have a bunch of consumers that have crypto to spend and they want better rewards. We have a bunch of merchants and businesses who want to accept payments and not have to pay such high fees. And so for instance, with the Shopify deal, since they were saving the 200 or 300 basis points the merchants typically have to pay, there was a discussion about, well how do we divide that up, right? And so the merchants in that case decided to give 1% cashback rewards to customers who came in and shopped at their store with USDC.

I think that this just makes the market more efficient. Every company is going to have to adapt to it. Coinbase is building great infrastructure for others, but we're also building first-party products on top. Emilie, did you want to add something as well?

Emilie Choi, President & COO: Great point. My only other point was that stablecoins might replace some of these networks, but those companies also have nodes and they can monetize the nodes. And so I think there's going to be ample areas for companies to evolve over time if they embrace the digital assets future.

Anil Gupta, Vice President, Investor Relations: All right. I think our technical issue might have been fixed. So operator, let's take our next question, please.

Operator: Owen Lau with Oppenheimer.

Owen Lau, Oppenheimer: Okay. So earlier today, the SEC Chair announced the launch of Project Crypto, which allows the innovation with super-app with a single license. Could you please talk about that potential license? Why there isn't a super-app in the U.S.? And why you think Base app can do it?

Alesia Haas, CFO: Yes. So the question, for those who may or may not have been able to hear, was earlier today, Chair Atkins at the SEC announced a single license. Why do we think that license could be attractive in the U.S.? Why have we not seen that before? Paul, maybe you can talk a little bit about Chair Atkins' announcement today and what we think the opportunity is.

Paul Grewal, CLO: Sure. Well just to take a step back, I think Chair Atkins' speech was remarkable for many reasons. I'd just encourage everyone listening to read it, and to understand that we have a very different environment, not only at the SEC, but across the U.S. federal government in ways that were largely unimaginable just a short while ago.

On the issue of licensure, I think the advantages for many companies, not just Coinbase, are fairly straightforward. First and foremost, the single license obviously limits the compliance costs and operational costs associated with a myriad of licenses, particularly in terms of supervisory examinations and oversight that come with a portfolio of licenses that would otherwise be required.

But I think the second reason is also worth noting, why we see great reason for hope in what Chair Atkins rolled out and announced. There is a commitment to follow up and follow through through formal rulemaking and other official activity at the SEC, the commitments and the vision that was set forth by the President's Working Group in the most recent report.

And so I think that between the specific benefits of the license itself and the tone and tenor that was set by the chairman's remarks, we see good reason for optimism, hope. And we think this will continue going forward as the SEC continues to implement, through the Crypto Project and the Crypto Task Force, President Trump's and Chairman Atkins' vision.

Anil Gupta, VP, Investor Relations: Thanks, Paul. So I'll read the next question, which comes from Devin Ryan over at JMP, Citizens JMP. Brian, the Everything Exchange as more assets are tokenized is obviously a massive concept when you think about the addressable market of assets that will trade today and potentially opening up new types of assets that aren't currently liquid.

Can you help us think through a bit more—do you see Coinbase both as a liquidity hub and as a brokerage and transacting in these assets? Maybe you can play a role in helping product manufacturers tokenize. There will be custody, lending, et cetera.

Can you talk about the areas where you think Coinbase will participate in the revenue streams? And can you give us any sense of timing in terms of when you hope to be up and running with tokenized equities?

Brian Armstrong, Co-Founder and CEO: Yes. So thanks for the interest on the Everything Exchange. It's definitely an exciting vision we're moving toward. And I think that Coinbase can operate in a couple of different pieces of this stack.

So one of it is really owning the brokerage front-end relationship through a direct relationship with the customer who's coming into trade, right, whether that's Simple retail traders, Advanced traders, Institutions in Coinbase Prime, or even folks just connecting in via API and creating via third-party interfaces.

We also operate centralized exchanges themselves, right? And there's—some of these trades are going to be happening on centralized exchanges, some of them are going to be happening on decentralized exchanges. And I think the customer actually doesn't really need to know or care which one it's happening on underneath.

They just kind of want their order routed to the best place. So we have investments in some decentralized exchanges. We have centralized exchanges that we operate as well. So those are another piece of the stack.

And then we are getting a lot of—your question alluded to this—we're getting a lot of companies reaching out to us now and saying, Coinbase, we'd love your help in doing a primary offering, right, or helping raise money. It could be for an investment fund. It could be for a real estate project. It could be for a tech startup. It could be for a film they want to produce. I mean there's a lot of inbound interest right now.

And so working with the SEC Crypto Task Force and this new permissive regulatory environment that we're in, I think there is an opportunity for us to go and help clients form capital and raise money, right, and do this in a crypto-native way that's more efficient. So we're looking into all of those.

In terms of timeline, we're working hard at this. We want to do it the right way, the trusted way. Nobody has really launched tokenized securities yet. There's a lot of work to do it the right way, but that's kind of what we're known for. And so we're working hard on it. We'll keep you updated on the coming quarters as we make progress.

Anil Gupta, VP, Investor Relations: All right. Next question is from John Todaro at Needham. So drilling more into USDC, specifically USDC on the Coinbase platform, where do you see potential upside beyond retail and institutional holdings of USDC on the platform? Do you see banks, neobanks, remittance company integrations? And would those count as USDC on the Coinbase platform?

Alesia Haas, CFO: Maybe I'll start with this one. So we monetize USDC through both balances on our platform, but we also benefit by USDC out in the ecosystem. We shared in our Shareholder Letter a waterfall that gives the illustrative breakdown of revenue in our participation in the USDC revenue.

The goal of bringing more distribution partners, enabling banks, neobanks, remittance companies, fintechs, corporates is that it grows overall USDC adoption. It creates interoperability and it drives overall network effect. And we are—we and Circle are both incentivized to bring more partners on. Some of those balances will be on our platform and then we'll monetize those directly. But more USDC drives also the possibility of more off-platform USDC, in which we also benefit and get 50% of that revenue.

We want everyone to be able to participate economically in this, and so we do have rewards programs that we offer for companies that participate through our platform, and we think that's an attractive way to grow more distribution partners, is to be able to share in the economics.

Brian Armstrong, Co-Founder and CEO: Yes. I think I'll just add that we believe stablecoins have a network effect. So sometimes people are just holding $1 balance in, let's say, their own brokerage account or something like that, and they want to earn rewards. That's great. But as payments have now started to really take off, payments are truly a network effect business, right?

It's better if the sender and the recipient both want to use the same stablecoin and actually the same underlying payment rail, whether it's Base in this case or something else. And so it's always been kind of hypothetically possible to do an instant exchange like an FX-type transaction. But in practice, the user interface is more complicated. Customers don't want to pay the small FX fee. And so we actually think that there is a network effect and we'll see more consolidation. And USDC is the largest regulated stablecoin for dollars.

Dollars are—the majority of all the stablecoins are backed by dollars now. And it's sharing economics with partners who are coming into the space. And so we think that USDC has a good chance to win that network effect.

Anil Gupta, Vice President, Investor Relations: Next question is from Ben Budish at Barclays. Can you talk more about the payments monetization model? Is this just about proliferating stablecoins? Or are there other transaction-based fees like on Base, are there subscription fees, et cetera?

Brian Armstrong, Co-Founder and CEO: Yes. So in part it is, it does help with our stablecoin business today in terms of on-platform USDC balances that we earn the revenue from. So that is good. But I think payments will also monetize directly. And it can do that in a few ways. Businesses are used to paying high fees, frankly, to complete these payments. And so we could come in vastly lower and I think still have a very good business model there.

Also any of these transactions that take place on Base, there is a small sequencer fee that we will earn for that. And in the future, really Base is decentralizing, so any partner who wants to run a Base validator would earn sequencer fees on that as well. So yes, I think payment business models have easily been pretty easy to monetize over time. The difference here is I think the cost of these payments should really come down by an order of magnitude or so, maybe two orders of magnitude. And payments should get a lot lower friction in the economy.

Anil Gupta, Vice President, Investor Relations: Next question is from Alex Markgraff at KeyBanc. There's been some key bank partnerships, PNC and JPMorgan. How do we think about the economics and the revenue generation here? Can you discuss a bit about which party ultimately controls the user experience and the scope of Coinbase services, the accessibility of that? And then, just any thoughts on timing of ramp for these types of services?

Brian Armstrong, Co-Founder and CEO: I can touch on the user experience and then, I don't know Alesia, I don't think there's anything we shared directly on the monetization here to break it out. But in terms of the user experience, this is fully in the customers' hands. And in this case, PNC or JPMorgan. So we're intending this to be an entirely white-labeled solution. It's truly infrastructure. It's kind of like they're using AWS to build in the cloud. That's a great subscription revenue business for us. But we're not trying to inject the Coinbase brand into any of their products. And so yes, they will fully control the user experience in that case. We control it on our own platform, of course. But yes, these are exciting opportunities. I think there's more and more we can do with these partners over time.

Because it really is a one-stop shop, right? Like in many cases, they may come in and say, "All right, we just want to do payouts to developers or content creators around the world." And we say, "Great, we can offer you that." And then a few months later, they'll say, "Well, we also want custody. Can you create these wallets for our users? Can you allow them to earn rewards on their USDC balances? Can you allow them to create other—hold other types of crypto?" And so we really want to make this a one-stop shop solution, this Crypto-as-a-Service product that we're offering out there and they can choose whatever pieces they want, LEGO pieces off the buffet menu, to mix metaphors, just like AWS or something like that, and craft it to their needs. Alesia, do you want to say anything about monetization?

Alesia Haas, CFO: The only thing I'll add is that you'll see these monetized mostly through our existing products. And so we expect over time as these integrations are established, that could lead to more trading volume in our Institutional business. It could lead to more assets under custody. And so there won't be a unique line item that you'll see in our P&L. It will be growth in existing line items.

Anil Gupta, Vice President, Investor Relations: We'll take the next question from James Yaro at Goldman Sachs. Could you help us think about the interest-bearing dynamics within stablecoins? The GENIUS Act does not permit it, but rewards appear permitted. How do you think about the evolution of yield on stablecoins? And then do you expect users to prefer products like tokenized money funds instead of stablecoins or perhaps switching between the two?

Alesia Haas, CFO: I'll start. So the rewards program that we offer for Coinbase holders who use USDC on our platform is integrated for the value that customer brings to our platform. When users hold USDC, we see that they tend to trade more. We see them engage with other products and services. So the programs that we offer are similar to marketing programs or loyalty programs for engagement and use of all of our products and services.

When we then talk about “how does a stablecoin differ from a tokenized money market or a tokenized deposit account”, I do believe over time that if the utility is equal, users will not be as tied to what the nature of the asset is. What they want is utility. They want the network effect. They want to find the asset that most merchants will accept and that most of the payment parties which they engage with will accept.

And that is why we are so focused, as Brian has mentioned in his previous comments, of driving adoption of USDC, driving network effect, bringing on more distribution partners to provide the highest level of utility for our users.

Brian Armstrong, Co-Founder and CEO: Yes. Just to reinforce that, in the GENIUS Act, there is a prohibition by the issuer of stablecoins on paying interest and yield. First, we are not the issuer. And second, we don’t pay interest in yield, we pay rewards, as Alesia mentioned. And so long story short is we plan to continue to pay rewards to our customers, which are very competitive. We think it’s a differentiated product and it’s a major reason that people come and store their funds with Coinbase.

Anil Gupta, Vice President, Investor Relations: Next question is from Patrick Moley at Piper Sandler. Can you discuss the economics behind adding decentralized exchanges to the platform? How will you monetize this? And what’s the risk that adding these linkages will cannibalize your own retail exchange volumes?

Brian Armstrong, Co-Founder and CEO: Yes, I can touch on that, and then anybody feel free to jump in. So the first way that we monetize is just like on a centralized exchange. The brokerage layer, if you want to call it that, has a fee, trading fee. And I expect those to be similar, if not even a little higher sometimes, in terms of monetization. And then the actual order instead of being routed to a centralized exchange is, in this case, routed to a decentralized exchange.

In some cases, we have investments in some of those decentralized exchanges. As the name would suggest, they are not owned by any one company. So it’s not like—we actually would not want to own the entire thing. It would not be decentralized in that case. So in some cases, we have investments in these decentralized exchanges. And then if the decentralized exchange is running on Base, we may earn a sequencer fee for that as well. But I’d say the majority of the monetization is probably at the brokerage layer for that. So yes, Alesia, anything you want to add?

Alesia Haas, CFO: No, I think that’s exactly right.

Anil Gupta, Vice President, Investor Relations: Our next question is from Bo Pei at U.S. Tiger. You launched the broadest suite of CFTC-regulated crypto perpetuals in the U.S. What does the early traction look like? And when do you expect this business to become a material revenue contributor?

Alesia Haas, CFO: Why don’t I start, Brian, you can add on? We’re really excited by our derivatives roadmap. And you are right, just in the last two weeks we launched U.S. perpetual futures—perpetual-style features, I should say—to our retail users, the first of its kind offering to the U.S. customers. And zooming out, what’s important to remember here is that derivatives trading are 75% of the overall market and we see more than 90% of that offshore. So bringing this product to the U.S. is a real innovation. We also paired that with 24/7 markets with Bitcoin and Ethereum contracts.

We are in the earliest of days with these products, but I think it’s important to note that we’ve seen volumes double week over week. We’ve seen really good early momentum. Our goal here is to drive market share and drive liquidity, drive engagement. So we are not focused in the near term on monetization and margin. We are focused on driving liquidity, open interest and volume. So in coming quarters, as we gain traction, we’ll speak more about this in terms of a revenue driver for our business.

Brian Armstrong, Co-Founder and CEO: Yes. I mean just to underscore it, I think perpetual futures are incredibly exciting. They’ve been the vast majority of all trading volume in crypto offshore, until we launched this in the U.S. really a week or two ago. And that obviously took a ton of hard work, not just on the technology side, but on the regulatory side, the policy side, getting the right approvals in place.

And that's kind of what we do best, is I think kind of marry these different skill sets around understanding the cryptography and the policy environment and bringing these together to get work done. I think it's really starting to work in the U.S. I think we saw over $1 trillion in derivatives volume in Q2, for instance. And then we hit an all-time high of open interest as well of $1 billion. So really great progress on that front.

Anil Gupta, Vice President, Investor Relations: All right, our final question we'll take from Pete Christiansen at Citi. Getting customer service right has been a challenge for fast-growing fintechs in the past. In light of the data breach incident this quarter, how is Coinbase now thinking about its customer service strategy? And to what degree do you believe Coinbase efforts can help drive improvements in user satisfaction levels?

Emilie Choi, President and COO: I can start and Alesia and Brian can jump in. Specifically, I think as you're asking related to the data breach, I think one of the things we've learned is that the BPO strategy is something that we have to make sure we have our arms around as the world gets more and more complicated with very sophisticated hacking. And so as such, we have to think about bringing a lot of this machinery in-house.

We are focused on automating as much as we can and moving this world into one of AI and automation, and at the same time, figuring out how to maintain CSAT scores. So one of the biggest areas of improvement I think we have to do is on the social and chat side of this. I think we actually do a really good job in terms of response times. The inquiries tend to be quite complex, which is why we're in that early stage of making sure the automation actually produces a delightful result for the user. But I'd say the big takeaway I would have from the data breach was—how can we make sure that we have quality checks, make sure that there's somebody ensuring that the CX agents aren't able to be approached in a way that they were with the BPOs. Alesia, anything to add on that?

Alesia Haas, CFO: No, I would say that we are hardening our systems. We are making large investments in our platform to continue to be driving value to our customers in terms of security of their data and their assets.

Brian Armstrong, Co-Founder and CEO: Yes. The only thing I'll add too is we did just open an office in Charlotte, North Carolina, to expand our onshore customer support facilities, which was great. And we also put out a $25 million bounty for information leading to the arrest of these threat actors. So that's been a great experience kind of working with law enforcement, which will hopefully produce some results in this case and a deterrent for future cases.

Alesia Haas, CFO: All right. Well I just want to thank everybody for bearing with us with our technical issues that we had this evening. So thank you so much. I also want to share that Brian and I will be on X on Friday at 10:00 Pacific. So please join us for additional Q&A on that call. And we look forward to speaking with you next quarter.