**Coinbase Global, Inc.**
**First Quarter 2025 Earnings Call**
**May 8, 2025**

**Anil Gupta, Vice President, Investor Relations**: Good afternoon. And welcome to the Coinbase First Quarter 2025 Earnings Call. Joining me on today's call are Brian Armstrong, Co-Founder and CEO; 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 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, 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 our 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. And with that, I'll turn it over to Brian for opening comments.

**Brian Armstrong, Co-Founder and CEO**: Thanks, Anil. Coinbase delivered across the board in Q1. We posted strong financials, rolled out product innovations at a rapid pace, and continued to grow global market share. Financially, we're better positioned than ever to capitalize on the opportunities ahead of us in 2025.

As just one example, our Q1 revenue was $2 billion, with $930 million in adjusted EBITDA, demonstrating how resilient our business is even in an uncertain macro environment.

Before I dive into the product updates, I want to remind everybody about why Coinbase exists. Coinbase was founded to increase economic freedom in the world.

We think cryptocurrency is the most important technology to update the financial system and create that economic freedom for people all over the world. Many people today don't have access to good financial services and it's holding back progress.

Everyone deserves access to basic financial infrastructure, good, sound money, free from high inflation, the ability to get a loan, make payments without high fees and delays, and to choose what to do with their own money.

Greater economic freedom is correlated with all sorts of outcomes we want in society like higher GDP per capita, self-reported happiness and income for the bottom 10%. It's foundational to all progress.

Now this ties into all the products we build across multiple customer groups including real businesses, institutions and developers. And serving these multiple customer groups has the potential to create synergies in our business over time.

For instance, our emerging payments business drives volume on our exchange, or by serving retail, pro, and institutional traders all in one platform, we get more liquidity and order flow on our exchange.

We have retail customers who want to spend crypto. We also have businesses who want to accept crypto. That's sparking economic activity.

So our goal is to be the number one financial services platform in the world across each of the customer groups we serve, with crypto rails eventually powering the majority of global GDP. Now let's take a minute to go through some of our product updates in Q1 in service of this broader mission.

I'll talk about it in three parts. The first one is going to be about driving revenue in our core businesses. The second is going to be creating or driving utility for the next wave of crypto adoption, some of our emerging products. And third is going to be scaling our foundations, primarily around policy and legal outcomes.

So for this first one, we're driving more revenue in our core businesses. Let's start with trading. We're continuing to gain share in Q1 in spot and derivatives. We drove over $800 billion in global derivatives trading volume.

While still early, this is a significant market share increase driven by our international exchange, where we saw our perps market share increase by over 60%. This morning, we announced the acquisition of Deribit, the world's leading crypto options exchange with over $30 billion of open interest and $1 trillion in trading volume outside the U.S. last year.

This makes Coinbase the number one crypto derivative platform globally by open interest. And it's our biggest move yet to accelerate our international roadmap and build out this comprehensive trading platform. And traders benefit from having spot, futures, and now options together under one roof.

So Deribit is a very important piece of the puzzle for us to bring this together all at Coinbase. We also launched Portfolio Margin 2.0, expanding access to long-short capabilities and increasing leverage for our institutional traders. We made great strides across our stretch goal to make USDC the number one stablecoin as well.

In fact, USDC hit a market cap all-time high of $60 billion in Q1, and the average USDC held in Coinbase products increased 49% quarter-over-quarter to $12 billion. And given our partnership with Circle, which is indefinitely renewable, increased USDC balances on our platform result in durable revenue for Coinbase. Base stablecoin balances reached $4 billion in Q1, up 12% quarter-over-quarter.

This was also largely driven by USDC. Next up, we accelerated our international expansion for our core businesses.

We continue to repeat our successful international playbook driven by obtaining new licenses. So we secured a vast registration in Argentina. We also registered with India's Financial Intelligence Unit, FIU, unlocking access to one of the fastest-growing crypto markets.

It's really great to see this product execution at a rapid pace in our core businesses. The second, as I mentioned, we're also focused on driving utility for the next wave of crypto adoption and some more emerging products.

So first, under this section, stablecoin payments have seen enormous growth lately, and we've started to build a business account for Coinbase, which includes B2B payment features for start-ups and SMBs.

In Q2, we'll be onboarding the first businesses to our pilot, enabling them to make stablecoin pay-ins and payouts. Given Coinbase's long history building crypto infrastructure, custody trading and our network of bank partners around the world, we think we're well positioned to power stablecoin payments for many businesses.

This quarter, we also expanded our onchain lending products, Powered by Base. We launched Bitcoin-backed USDC borrowing. This is giving users instant liquidity without having to sell their Bitcoin.

In the first 100 days, we saw over $100 million in loans. It's now up to $160 million in loans. Since January, it's growing at a really incredible pace. So we've had a lot of success with that product.

We're also continuing to focus on empowering builders on Base. We think this is a big opportunity for the next wave of adoption. So we made two acquisitions that completed in Q1 to enhance the utility of Base.

The first one, Spindl, is an onchain ad platform. This helps apps get distribution. It could be a big business over time. And we also acquired a company called Iron Fish, which is helping create private transactions on Base. We think this is a big missing feature for people to send private transactions.

So finally, we are scaling our foundations. And our world-class policy and legal teams had big wins in Q1, both in D.C. and in the courts.

So we saw a new executive order come out that directed the establishment of a Strategic Bitcoin Reserve and Digital Asset Stockpile. This is a huge step with the United States of America now efficiently recognizing Bitcoin as a strategic asset.

I believe other countries will follow that lead. We also saw bipartisan legislation advance in Congress, building clearer frameworks for both stablecoins and crypto market structure.

We've been meeting regularly with members on both sides of the aisle in the House and the Senate to help progress stablecoin market structure legislation. And even the vote that happened earlier today, we think is good progress.

It's all part of the negotiation. We think there'll be another vote next week on stablecoin so we're very excited about that progress. The dismissal of the SEC lawsuit against Coinbase also marked a major judicial win for the balanced innovation-friendly regulation that we've been advocating for.

It's really -- that was a really important milestone not just for us but for the entire industry and protecting our customers' rights. So in closing, it's important to realize that crypto is eating financial services, and Coinbase is 100% focused on crypto.

We're building better financial infrastructure for the world, which will enable more economic freedom. We've been focused on crypto since the beginning, 12 years ago, and we continue to be focused there, executing at a rapid pace.

With growing regulatory clarity, we believe crypto rails are poised to power an increasing share of global GDP and update every aspect of the financial system over time. Now I'll turn it over to Alesia.

**Alesia Haas, CFO**: Thanks, Brian. And good afternoon, everyone. As typical, all comparisons I share are on a quarter-over-quarter basis unless I note otherwise. We made progress in a variety of initiatives in Q1, as Brian articulated, and these contributed to over $2 billion in total revenue.

I want to start with our transaction revenue, which was $1.3 billion, down 19% quarter-over-quarter. However we grew our trading market share across both spot and derivatives trading. Total global spot trading was down 13% with Coinbase outperforming at down 10%.

Our consumer trading volume was $78 billion, down 17%. Consumer transaction revenue declined 19%, and our volume/mix was similar in Q1 as compared to Q4. Institutional trading volume was $315 billion, down 9%. Institutional transaction revenue was down 30%.

There are two factors which drove the discrepancy between the revenue decline and the volume decline. The first is the growth in our derivatives trading business. As we build this business, we are offering trading rebates and incentives to build liquidity and acquire customers.

Our focus on growth is causing a decline in the transaction revenue that we get from derivatives trading as these are contra revenue and recorded in the institutional transaction revenue line item.

Second, we saw a spot volume mix shift, which was more concentrated about market makers and liquidity providers, which tend to have lower fee rates.

Our subscription and services revenue grew 9%, and we saw an all-time high of $698 million, nearly $700 million in revenue. Two drivers of this growth: first, stablecoin revenue grew 32% quarter-over-quarter to $298 million.

Over the last two years, we have seen MTUs holding USDC double, and the average balance of USDC per holder has tripled. Coinbase One also continued to add new subscribers as we extended new benefits.

Now turning to our expenses. Our total operating expenses were $1.3 billion, up 7%, primarily driven by higher variable expenses resulting from elevated market maker activity earlier in the quarter, as well as losses on our crypto assets for operations.

Adjusted EBITDA was $930 million and net income was $66 million. Beginning this quarter, we are introducing a new profitability metric, adjusted net income. Adjusted net income is our GAAP net income excluding the tax adjusted impact of crypto investment portfolio gains or losses.

In Q1, our adjusted net income was $527 million. We provided a reconciliation in our shareholder letter. Last, our Q2 outlook. Macro uncertainty including around global trade policy may contribute to softer crypto trading markets and lower asset prices as we enter the second quarter.

We have navigated choppy markets before, and we are confident in our ability to maintain our long-term product roadmap and remain financially disciplined. In April, we generated approximately $240 million of transaction revenue.

Our spot transaction volume declined approximately 12% month-over-month in April, and this was similar to global spot volume, which was down approximately 13% over that same time period.

With regards to our institutional transaction revenue, as I mentioned before, we are focused on growing derivatives trading market share, and we plan to continue our investments in trading incentives. We anticipate a $30 million to $40 million quarter-over-quarter impact in Q2.

I share all this but I also need to remind you that trading markets can evolve quickly, and we do caution extrapolating monthly results. We expect subscription and services revenue to be between $600 million and $680 million. We expect to see stablecoin revenue growth.

However the main driver of the expected sequential decline is due to Ethereum and Solana prices, which are down approximately 36% and 25%, respectively, so far in Q2 compared to their Q1 averages. These price declines impact our blockchain rewards and other subscription and services revenue lines.

We expect technology and development and general and administrative expenses to be in the range of $700 million to $750 million. The quarter-over-quarter decline is mostly driven from lower variable expenses like infrastructure, customer support and seasonally lower payroll taxes.

Lastly, we expect sales and marketing to be in the range of $215 million to $315 million. Where we fall in this range will depend on whether we continue to see attractive performance marketing opportunities and on the total USDC balances and Coinbase products, which drives USDC rewards. I'd like to close by touching on this morning's milestone acquisition of Deribit.

We are acquiring Deribit for approximately $2.9 billion. This is comprised of $700 million of cash from our balance sheet and 11 million shares of our Class A common stock that we will issue.

This is subject to customary purchase adjustments. Deribit has a consistent track record of generating positive adjusted EBITDA, which we believe we will be able to grow as a combined entity. They're a leader in options with 75% global market share, and they've consistently been in a strong position across market cycles with $30 billion of open interest and they saw $1 trillion of volume in 2024.

We expect the deal to close by the end of the year. And upon closing, we expect Deribit to immediately enhance our profitability and add diversity and durability to our trading revenues. With that, Anil, why don't we go to questions?

**Anil Gupta, Vice President, Investor Relations**: All right. Thank you, both. So we'll take the top three retail questions and then open it up to the analysts. So the first one is, any plans on share buybacks. Alesia?

**Alesia Haas, CFO**: Thanks for that. So last year, our Board did authorize a $1 billion share repurchase program with no expiration date. As we shared on the last call, this is an opportunistic way for us to deploy capital to reduce the overall number of shares that we see.

However we opportunistically look at M&A, and we opportunistically look at many things with our cash. And so the acquisition that we announced this morning, for example, is using $700 million of cash from our balance sheet, and that will have the effect of that we will not issue those as shares.

Another thing that we did in the first quarter is we used about $100 million from our balance sheet to withhold approximately 390 thousand RSUs[1] from being issued to our employees as part of their compensation and paying the taxes on those shares. So that also had the effect of reducing overall dilution.

So the share repurchase program is an opportunistic lever for us to manage the overall number of shares, but we balance that with other uses of cash and other ways we can reduce the number of shares we issue into the market through other business activities.

**Anil Gupta, Vice President, Investor Relations**: All right. Question number two. What are Coinbase's future plans similar to Strategy regarding diluting or levering to accrue hard crypto reserve assets for its equity. Alesia?

**Alesia Haas, CFO**: So we absolutely do invest in crypto and have a long-term investment portfolio. We have done this for many, many years. And the way that we approach it is that we allocate a percent of our net income to strategic investments, specifically to crypto assets.

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[1] Clarification: Ms. Haas indicated on the call that the RSU net settlement was 390 million shares. She intended to state that the RSU net settlement was 390 thousand shares. We have therefore updated the language herein to reflect that the RSU net settlement was 390 thousand shares.

This quarter, we bought about $150 million of new crypto investments, predominantly Bitcoin. The fair market value of this investment portfolio as of the end of March was about $1.3 billion or 25% of our net cash, our total cash less the debt that we hold on our balance sheet.

So to be clear, we're an operating company but we do invest alongside the space, and we do think that we will continue to do this and we'll look for additional opportunities to do so.

**Anil Gupta, Vice President, Investor Relations**: Okay. And final retail question. You've said that you welcome new entrants into the crypto space and that you view it as a positive for Coinbase. At times, it sounded complacent. Can you elaborate on what opportunities you see from a growing TAM perspective and why you have confidence it will offset pressure from competition? Brian?

**Brian Armstrong, Co-Founder and CEO**: Yes. Sure, let me clarify. So the lack of regulatory clarity that we had in the past, this was not a moat for Coinbase. It was a barrier to the entire industry growing.

So I'd much rather be in a situation we're in today with regulatory clarity emerging and more companies coming into crypto. But make no mistake about it, we're playing to win here. And there's a number of advantages that we have so I'll just try to go through them.

First, we're 100% focused on crypto, right? I've seen enough cycles now where companies get interested in crypto, then they get less interested, or maybe when their core business comes under threat, they defund their crypto efforts.

For us, crypto is our core business. It's 100% of what we do, which means we do it better than anyone else. Now second, we've had to solve a lot of hard problems along the way to build a crypto infrastructure, which is pretty difficult to replicate.

So everything from how do you custody crypto securely with data centers around the world, how do you integrate all the different blockchains and handle their upgrades and airdrops? How do you build an exchange around this and have derivatives, and have a network of banks around the world for on and off-ramps that are comfortable with crypto or getting licenses all over the world with people, the regulators allowing crypto with permitted activity?

Even just the transaction processing and handling the scale of it, making that timely staking rewards, et cetera, et cetera. So these are all hard problems to solve across engineering, security, compliance, and it's taken us a long time to build that.

We're adding more at a very rapid pace. I don't see others catching up. Now third, this is maybe the most important point, is that for many of these new entrants to crypto, we will power some or all of their infrastructure for them.

So whether it's trading, custody, payments, wallet infrastructure, we've signed a number of large deals here to run on our infrastructure, and we're going to capture part of the value chain for every new entrant that comes into the space, which is why I say it's a TAM expansion.

So a great example of that, by the way, is when the ETFs got approved, we powered custody and trading for the majority of them, while it also grew our trading business in our retail app, right? So it was additive and we got to participate in this new value chain.

So the other part of your question was asking about new opportunities that exist with this increased regulatory clarity and there's a bunch that are emerging now. Perpetual futures coming to the U.S. is a big opportunity. Having millions of assets available for trading on our platform via the centralized exchanges, tokenizing securities and other asset classes, that should probably happen over time.

How do you just rethink capital formation entirely onchain? These are all emerging opportunities. And so with increased regulatory clarity, it's going to be a huge win for Coinbase. We want every business to come into the space, so we can partner with them and sell them our products.

**Anil Gupta, Vice President, Investor Relations**: All right. Thanks, Brian. So with that, Erik, let's open it up and take the first question from the analysts.

**Operator**: Your first question comes from the line of Ken Worthington with JP Morgan.

**Kenneth Worthington, JP Morgan:** I wanted to just start with the Deribit acquisition. Can you talk about the cross-sell opportunity and how the transaction strengthens Coinbase's existing franchise? And Alesia, you said it immediately enhances profitability. I take that to mean it's immediately accretive. Am I thinking about that correctly?

**Emilie Choi, President and COO:** Thanks, Ken. I'll start, and then I'll hand it over to Alesia for the accretion. So (inaudible) offering options alongside our existing spot and perps business. We believe that this allows us to, one, command greater share of trading volume from shared institutional customers; two, provide greater capital efficiency to clients, which is differentiated from competitive platforms, i.e., attract new customers; and three, offer traders more options to play the markets in either rising or falling conditions.

Deribit operates ex-U.S. and has adapted at competing with the ex U.S. derivatives markets, and this is very complementary to our U.S. futures business and supercharges our international derivatives franchise, the international exchange. And from a traction standpoint, Deribit is the global leader in options with more than 75% market share.

It's been consistently profitable. It strengthens our business by giving us market leadership within options which we expect to grow and enhances the profitability. And Alesia, do you want to take the accretion question?

**Alesia Haas, CFO**: Deribit has a history of positive adjusted EBITDA, and we believe it will be adjusted EBITDA positive on an accretion basis. However. I caution this is before we complete our purchase accounting adjustments.

**Brian Armstrong, Co-Founder and CEO**: Yes. And Ken, I'll just add real quick on your cross-selling point. I think this is really important. So a trader can actually go in and hedge futures position with options without having to switch platforms. So that's why we think that there is a cross-selling opportunity. And this is -- improves the efficiency but also improves trading volume if they can do that all in one platform.

**Operator**: Your next question comes from the line of James Yaro with Goldman Sachs.

**James Yaro, Goldman Sachs**: So USDC comprises an increasing percentage of overall stablecoin market cap. Perhaps you could just speak to some of the logic behind Binance being added into the USDC partnership along with Circle and what this means for the USDC TAM? And then perhaps could you also update us on the economics and how that split has changed as a percentage of USDC interest revenue now that Binance is part of the partnership?

**Alesia Haas, CFO**: Great. Great questions. So let me start with the latter and then we'll talk about the growth. So the commercial arrangement that we have with Circle has been filed as an addendum to our 10-K. So you can see the collaboration agreement.

In short, what it does is it provides 100% of the underlying reserve income to Coinbase for all of the USDC that we hold in our eligible products. And we have a new disclosure in our shareholder letter where you can see that split. We also then receive a percentage of the off-platform economics.

So the waterfall is: Circle receives some basis points for their issuer fees, for just being the issuer of USDC, maintaining their reserves and for administrative tasks. We then get 100% on our platform.

We then agree with Circle if we are going to share economics with other distribution partners. And in the case of Binance, we did agree because we think that it grows the overall USDC market cap. We think this is beneficial to bring more distribution partners to the ecosystem.

We then get 50% of the off-platform or what is remaining in USDC, and you can see that again in the table that we shared in our shareholder letter. So that is the economic arrangement.

The rationale for adding distribution partners is we believe that we mean it drives liquidity, it drives global adoption. There are more and more places for customers to onboard and offboard USDC and to engage in products and services. These network effects, larger market cap, deeper liquidity, more places for customers to exchange, we think, is going to drive overall growth and opportunity for USDC.

**Brian Armstrong, Co-Founder and CEO**: Maybe I'll just add in here for a minute. So the strategy for USDC to grow is really two things. It is, one, sharing economics with strong partners. And number two, it's following a compliant approach, right? So USDC is currently the only major stablecoin in Europe, for instance, that complies with MiCA legislation.

So if they can share economics and they can follow a compliant approach, we feel that they're going to continue to grow. And it's worth noting that USDC is the fastest-growing major U.S. backed stablecoin right now. So we think they're on a great path.

**Operator**: Your next question comes from the line of Devin Ryan with Citizens.

**Devin Ryan, Citizens**: A question just around momentum in allowing kind of traditional banks to enter the industry in different capacities, obviously kind of moving towards that. And on one hand, some could be competitors in certain places and that gets a fair amount of press.

But on the other side, it seems like there's still a fair amount that Coinbase can do with this potential customer cohort or partner with and even potentially even through the partnership with Circle.

So I'm curious if you're having conversations directly with this part of the market. And just more broadly, the view around kind of the opening up of traditional financial institutions into the space, how that could be a positive catalyst for Coinbase?

**Brian Armstrong, Co-Founder and CEO**: So I'll start off and then, yes, Emilie, Alesia, others, feel free to jump in. So yes, we think that every major bank is going to be integrating crypto at some point. Like I said, we think it's a technology to update the financial system. And we've had conversations with a number of them. We've signed some deals actually. And we can power a variety of things for them.

So some of them, it is a custodial solution, right? Others are interested in having a stablecoin solution. Now there is -- we've seen some interest where banks and other companies will want to create their own stablecoin. Our view is that that's not necessarily the best path because we think stablecoins have network effects. You want interoperability with other financial institutions to be able to settle payments and do all kinds of things.

So especially if you can get shared economics, I don't see why we wouldn't have -- we wouldn't see more of these banks kind of partnering with USDC.

But regardless, we at Coinbase, I think, can help power infrastructure for all these folks that are coming into the industry, and that's a big part of our plan. We call it crypto-as-a-service, right? It's a service that we sell to these institutional clients, and we can power custody, trading, stablecoin infrastructure, etc, for them.

**Alesia Haas, CFO**: And it's important to note that we have over 200 institutions—BlackRock, Stripe, PayPal, others—that already are relying on our rails for custody, liquidity. And Prime is the standard for institutional access.

We've shared with you before that we won a number of the ETF mandates and it shows the strength of our platform, our controls, and the operational rigor that we have built out to support large major institutions as they transact in crypto. So as TradFi moves onchain, we think we're the backbone beneath it.

**Operator**: Your next question comes from the line of Owen Lau with Oppenheimer.

**Owen Lau, Oppenheimer**: So first of all, congrats on the Deribit deal. I have a high-level question. Could you please give us an update on what Coinbase aspires to be in 5 to 10 years? I realize that a lot of things have changed over the past few years and great companies evolve with opportunities. And you just announced the Deribit deal. You're also considering, I think, getting a federal bank charter.

What will Coinbase look like longer term? Do you think Coinbase will be more like a tech provider, a full service onchain bank or a super app like WeChat? Also, are you interested to get into TradFi space such as equities and bond trading, given that you mentioned that you're 100% focused on crypto?

**Brian Armstrong, Co-Founder and CEO**: Great question. So today, we're primarily focused on trading and payments, and we're doing that across our major customer groups: retail, small medium-sized businesses, institutions and developers.

But I think in 5 to 10 years, our goal is to be the #1 financial services app in the world across those customer segments, because we believe that crypto is eating financial services, and we are the #1 crypto company, right? And so that's where we think things are going. You mentioned potentially integrating traditional financial services or TradFi services.

I mean we really want to skate to where the puck is going here and be the best company at building onchain. And so we think all these asset classes, money market funds, real estate, securities, debt, these are all coming onchain. And you heard about some of those in our product updates, so we don't necessarily want to look backwards. We want to look forward and skate to where this opportunity is going.

**Operator**: The next question comes from the line of Brett Knoblauch with Cantor Fitzgerald.

**Brett Knoblauch, Cantor Fitzgerald**: Maybe just on the recent rumor that there could be a change of control with Circle. Is there any change of control clause with Circle where that provides whoover would acquire Circle an out? Or what would happen in a scenario where Circle does get acquired?

**Alesia Haas, CFO**: Our contract would persist through an acquisition. There would be no change to our commercial arrangement.

**Operator**: Your next question comes from the line of Pete Christiansen with Citi.

**Peter Christiansen, Citi**: Congratulations on the Deribit acquisition. I want to expand a little bit on Owen's question actually. So we hear it a lot from our clients. And Brian, you touched upon all the things that Coinbase is doing currently and aspires to do and some press article last month that Coinbase is potentially seeking a banking license.

I'm just curious how do you juxtapose doing all these different services, servicing different sorts of customers against potential legislation down the line where you may be limited in certain functions. Just curious on how you're thinking about how potential legislation could perhaps limit some of the functions that Coinbase aspires to do.

**Brian Armstrong, Co-Founder and CEO**: Well in the legislation draft that we've seen so far, we're not seeing anything that would necessitate us having a banking license, and we don't have any current plans to do that. Obviously if something were to change there, that's an option.

But I don't see that as being very likely at this point. And the main thing you would need a banking license for is if you wanted to do fractional reserve and really kind of lend out the customers' funds. We think that a fully reserved model is actually better.

It seems to be what our customers want. And then if they actually want to opt in and choose to put their money into some investment vehicle, they can do that. But the model where the bank lends it out kind of without you knowing about it, that's -- it creates risk in the system, right? There's many good books on this.

So I actually kind of like the idea of not having the bank charter over time. And it actually -- it limits your product velocity as well right? Like if you -- even if you have a sub that is a bank and the bank holding company act kind of requires supervision of not just the sub but also the parent and down into other subs, and I think you can really slow down the product velocity. So yes, no current plans to pursue a bank charter at this time.

**Operator**: Your next question comes from the line of Benjamin Budish with Barclays Capital.

**Benjamin Budish, Barclays Capital**: Maybe a follow-up on Deribit. I'm kind of just curious if you could talk about options and crypto more broadly. It almost, in a way, looks like the futures market in TradFi where there's sort of incumbents, although obviously quite a bit different as most of the products traded there are different from the products on which options are written.

So any kind of -- just curious about the history, like why is it that there's really only one crypto exchange that has such meaningful market share? Is it a lack of effort from competitors?

Is it -- does crypto volatility make options more challenging to trade? And what does that sort of say about the user base of Deribit? Is it institutional customers who are similar to those trading on other international futures exchanges? Is it protail? Is it retail? But just kind of curious about your thoughts on crypto options more broadly.

**Alesia Haas, CFO**: I'll start here and others can weigh in. What I would say is that these are relatively nascent products within crypto and that we've seen growth because people focus and build product expertise and really became the best player and that is who Deribit is. They created unique and differentiated products, and were able to win the majority of the market share in crypto options.

I think that it looks very similar that these options are used to hedge future positions. These are used similarly to traditional financial options and other products.

And so I wouldn't say there's a difference in how these exist in the broader financial ecosystem. And the users of these are prosumers. They're more advanced traders, but they do have a diverse institutional and retail base of customers on their platform, all ex-U.S., I would note.

**Brian Armstrong, Co-Founder and CEO**: One other thing I'll add is that—and it's really a credit to the Deribit team of how well you executed to get to that market share—the only thing I'll add is that when we talk to pro traders and institutional traders, they often say, they just really want a trusted counterparty.

And if Coinbase had X or Y trading feature, they would love to do that with us instead, right? And so they see us as the trusted counterparty by adding more products to trade in the store, they'll move more and more of the trading volume to us.

**Operator**: Your next question comes from the line of Patrick Moley with Piper Sandler.

**Patrick Moley, Piper Sandler**: So mine kind of relates to Ben's question, but in light of the Deribit acquisition, I was hoping you could update us on the go-to-market strategy for crypto derivatives broadly in the U.S.

And then once you close the Deribit acquisition, how quickly do you think you'll be able to offer those products to U.S. customers? If you go on their website today, the U.S. is listed as a restricted jurisdiction. So what are some of the regulatory considerations or hurdles that need to be crossed before you are able to do so?

**Brian Armstrong, Co-Founder and CEO**: I can share a little bit about some of the approvals that are coming up. We've been working very closely with the CFTC to try and get perpetual futures live in the U.S. That's going to take a little bit longer, but we are—we have one step in the right direction. Actually, tomorrow, we're going to be 24/7 trading of Bitcoin and ETH futures available in the U.S. So that starts to get a step closer to perpetual futures, not all the way there.

But we're going to keep working with them on that. A lot of the go-to-market piece of this is really about going and talking to the top large-volume traders. And they trust Coinbase but we don't—historically, we haven't had the exact products that they've wanted to trade for various—we've taken a compliance approach, a compliance-focused approach, and so it's taken a little bit longer.

But I think if we can do that, we'll have a good chance to grow share with them. And in the short term, like Alesia mentioned, we are offering rebates and incentives to get people to come in and try it. And that's why we've seen our share grow in this last quarter. There's lots of new contracts we need to add.

We added, I think, 39 new perpetual futures books on our international exchange in Q1, four new books in the U.S.

There's some features around improved capital efficiency, like getting higher leverage, expanding the list of collateral that they can use.

And I think so far, it's working really well. As I mentioned, we've traded over $800 billion in derivatives volume in Q1. So those are just a few thoughts on that.

**Emilie Choi, COO**: Yes. And to the question, to reiterate what Brian was saying, we're excited about the new CFTC chair, a new chapter in the U.S. We have to work with them on a path for the U.S. options. But for now we're really excited about the opportunity internationally for Deribit.

**Operator**: Your next question comes from the line of Joseph Vafi with Canaccord.

**Joseph Vafi, Canaccord**: Just wanted to circle back on USDC. I know I think maybe Alesia or Brian mentioned the amount of USDC per monthly active has kind of doubled over the last year. Just wondering what that means from a P&L perspective.

I know there's incentives out there. I know that there's a rev share, but just kind of trying to get to what the bottom line on that means. And if it's an investment, what the implications are there.

**Alesia Haas, CFO**: Thanks for the question. So in our shareholder letter that is on our IR site, we gave a new table that breaks down the USDC and products where we get 100% of the underlying reserve income.

We also shared the market cap and the revenue that we get from the off-platform USDC. So we generated $298 million of USDC revenue in the first quarter. Against that, we paid out roughly $100 million in USDC rewards.

It's important to note that we only pay rewards on the USDC in Coinbase products. And so we have about $26 million in net margin in USDC revenue on products in our platform. And then full margin, $171 million, that has no associated rewards that flows to the bottom line in terms of margin. And you can see all of that within our disclosures that we've made this quarter.

**Operator**: Your next question comes from the line of Dan Dolev with Mizuho.

**Dan Dolev**: Really nice results and nice quarter. Just wanted to ask on the USDC rewards, specifically in terms of the opportunity there. What you're seeing seems like a big opportunity for the long term. So any color there would be great.

**Alesia Haas, CFO**: What we see is that when we pay rewards, customers are more engaged with products and services on our platform. So we grew balances nearly 50% this quarter. So we now have about $12 billion in, on average, USDC within our products. That's up 49% quarter-over-quarter.

We are seeing, as I mentioned on my comments, over the last two years, the number of MTUs that hold USDC has doubled. Their balances have tripled. And what we're seeing then is those customers trade more often. They engage with other products and services. We've more deeply integrated USDC on our platform. So it is the match pair, for example, in our international derivatives exchange.

This is driving USDC in that platform with the institutional customers. Base had $4 billion of USDC.

So as we deeply integrate this, we are generating the flywheel of distribution of USDC and building those balances on our platform and driving growth of the overall ecosystem.

**Operator**: Your next question comes from the line of Alex Markgraff with KeyBanc Capital Markets.

**Alexander Markgraff, KeyBanc**: Maybe one for Emilie or Brian on M&A. Just are there any sort of other large deals that we should think about Coinbase pursuing in an effort to command global leadership, maybe just categorically speaking? And then I think it would be helpful to get thoughts there on the heels of the Deribit announcement. And then I do have a quick follow-up on payments for Brian if there's time.

**Emilie Choi, COO**: Sure. So obviously today, we announced the largest crypto acquisition of all time. And I believe we've been the most active player in crypto M&A historically, period.

So Deribit to me is a great proof point of how we use M&A to add to our market-leading institutional platform. You'll recall we did Xapo in 2019 for custody, Tagomi in 2020 for Prime, FairX in 2022 for the derivatives exchange, One River in 2023 for asset management, and now we've got Deribit. So we think this is going to dramatically accelerate the growth of our international footprint and our derivatives business.

Looking ahead, I mean I think we are in the best position we've ever been in to take advantage of additional opportunities, and we think the market is ripe for some great M&A.

We have an incredibly strong balance sheet. As Alesia mentioned before, we've made a strategic decision to hold more cash because it enables us to make bigger bets. We also think regulatory clarity is going to enable us to take larger swings with greater confidence, unlocking new products, utility cases and geographies.

We know every player in the space due to the fact that we've been in this space for so long. And we also have ventures, so we have plays in a bunch of the different start-ups in the space, know all the teams.

So we're always looking at great businesses of scale to accelerate our growth in key areas, and we're ready to take advantage of those in the coming years. You can expect a lot more from us.

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

**Operator**: Your final question comes from the line of Bo Pei with U.S. Tiger Securities.

**Bo Pei, U.S. Tiger Securities**: So I have a high-level question. So given the current macroeconomic uncertainty and volatility, the crypto asset price, how flexible is Coinbase strategy across different market environments? Are there specific strategy areas you plan to emphasize more in a bearish versus a bullish market?

**Alesia Haas, CFO**: We've never been good at predicting where crypto markets are going. And now with the influence of broader macro trends, it becomes even more difficult to predict the impact on crypto markets.

And so our strategy long has been to run scenarios and to be thoughtful about what is the worst that can happen, what is the best that can happen, and set forth every year with a wide range of potential outcomes. We plan for the worst. We plan our expense growth against what if we go into a bear market.

So we’re really confident that we can continue to invest in our strategy, invest in growing our employee base, products and services, and navigate through a bear market. So the answer is, if we emerge into a bear market, it doesn’t materially change our strategy.

It would have to be two things added together, a bear market and then something else really bad happening, for us to kind of pull back and say, okay, maybe we need to revisit our outlook on expenses, but we feel really good about what we’ve seen so far this year. We’re well within our scenarios and feel confident in our go-forward plan.

**Anil Gupta, Vice President, Investor Relations**: Okay. Thank you all for joining us. We look forward to speaking to you again on our next call.