

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission file number 001-40289

Coinbase Global, Inc.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-4707224

(I.R.S. Employer Identification No.)

One Madison Avenue
Suite 2400
New York, NY

(Address of Principal Executive Offices)¹

10010

(Zip Code)¹

Not Applicable

Registrant's telephone number, including area code¹

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.00001 par value per share	COIN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☒

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of October 23, 2024, the number of shares of the registrant's Class A common stock outstanding was 204,910,047 and the number of shares of the registrant's Class B common stock outstanding was 45,440,396.

¹ We are a remote-first company. Accordingly, we do not maintain a headquarters. We are including this address solely for the purpose of compliance with the Securities and Exchange Commission's rules.

Stockholder communications may also be sent to the email address: secretary@coinbase.com.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth, and our objectives for future operations, are forward-looking statements. In some cases, forward-looking statements may be identified by words such as “believe,” “may,” “will,” “estimate,” “potential,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” “target,” or the negative of these terms or other similar expressions.

Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our net revenue, operating expenses, and our ability to achieve and maintain future profitability;
- our business plan and our ability to effectively manage any growth;
- anticipated trends, growth rates, and challenges in our business, the cryptoeconomy, the price and market capitalization of crypto assets and in the markets in which we operate;
- market acceptance of our products and services;
- beliefs and objectives for future operations;
- our ability to maintain, expand, and further penetrate our existing customer base;
- our ability to develop new products and services and grow our business in response to changing technologies, customer demand, and competitive pressures;
- our expectations concerning relationships with third parties;
- our ability to maintain, protect, and enhance our intellectual property;
- our ability to continue to expand internationally;
- the effects of increased competition in our markets and our ability to compete effectively;
- future acquisitions of or investments in complementary companies, products, services, or technologies and our ability to successfully integrate such companies or assets;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally given the highly evolving and uncertain regulatory landscape;
- general macroeconomic conditions, including interest rates, inflation, instability in the global banking system, economic downturns, and other global events, including regional wars and conflicts and government shutdowns;
- economic and industry trends, projected growth, or trend analysis;
- trends in revenue;
- trends in operating expenses, including technology and development expenses, sales and marketing expenses, and general and administrative expenses, as well as certain variable expenses, and expectations regarding these expenses as a percentage of revenue;
- our key business metrics used to evaluate our business, measure our performance, identify trends affecting our business, and make strategic decisions;
- our plans with respect to the Share Repurchase Program; and
- other statements regarding our future operations, financial condition, and prospects and business strategies.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors, including those described in the section titled “*Risk Factors*” in Part II, Item 1A of this Quarterly Report on Form 10-Q and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on any forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in such forward-looking statements.

Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, restructurings, joint ventures, partnerships, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

RISK FACTORS SUMMARY

Consistent with the foregoing, our business is subject to a number of risks and uncertainties, including those risks discussed at length below. These risks include, among others, the following, which we consider our most material risks:

- Our operating results have and will significantly fluctuate, including due to the highly volatile nature of crypto;
- Our total revenue is substantially dependent on the prices of crypto assets and volume of transactions conducted on our platform. If such price or volume declines, our business, operating results, and financial condition would be adversely affected and the price of our Class A common stock could decline;
- Our net revenue may be concentrated in a limited number of areas. Within transaction revenue and subscription and services revenue, a meaningful concentration is from transactions in Bitcoin and Ethereum and stablecoin revenue in connection with USDC, respectively. If revenue from these areas declines and is not replaced by new demand for crypto assets or other products and services, our business, operating results, and financial condition could be adversely affected;
- We have in the past, and may in the future, enter into partnerships, collaborations, joint ventures, or strategic alliances with third parties. If we are unsuccessful in establishing or maintaining strategic relationships with these third parties or if these third parties fail to deliver certain operational services, our business, operating results, and financial condition could be adversely affected;

- Interest rate fluctuations could negatively impact us;
- The future development and growth of crypto is subject to a variety of factors that are difficult to predict and evaluate. If crypto does not grow as we expect, our business, operating results, and financial condition could be adversely affected;
- Cyberattacks and security breaches of our platform, or those impacting our customers or third parties, could adversely impact our brand and reputation and our business, operating results, and financial condition;
- We are subject to an extensive, highly-evolving and uncertain regulatory landscape and any adverse changes to, or our failure to comply with, any laws and regulations could adversely affect our brand, reputation, business, operating results, and financial condition;
- We operate in a highly competitive industry and we compete against unregulated or less regulated companies and companies with greater financial and other resources, and our business, operating results, and financial condition may be adversely affected if we are unable to respond to our competitors effectively;
- We compete against a growing number of decentralized and noncustodial platforms and our business may be adversely affected if we fail to compete effectively against them;
- As we continue to expand and localize our international activities, our obligations to comply with the laws, rules, regulations, and policies of a variety of jurisdictions will increase and we may be subject to inquiries, investigations, and enforcement actions by U.S. and non-U.S. regulators and governmental authorities, including those related to sanctions, export control, and anti-money laundering;
- We are, and may continue to be, subject to material litigation, including individual and class action lawsuits, as well as investigations and enforcement actions by regulators and governmental authorities. These matters are often expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, and operating results;
- If we cannot keep pace with rapid industry changes to provide new and innovative products and services, the use of our products and services, and consequently our net revenue, could decline, which could adversely impact our business, operating results, and financial condition;
- A particular crypto asset, product or service's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty and if we are unable to properly characterize a crypto asset or product offering, we may be subject to regulatory scrutiny, inquiries, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition;
- We currently rely on third-party service providers for certain aspects of our operations, and any interruptions in services provided by these third parties may impair our ability to support our customers;
- Loss of a critical banking or insurance relationship could adversely impact our business, operating results, and financial condition;
- Any significant disruption in our products and services, in our information technology systems, or in any of the blockchain networks we support, could result in a loss of customers or funds and adversely impact our brand and reputation and our business, operating results, and financial condition;
- Our failure to safeguard and manage our and our customers' fiat currencies and crypto assets could adversely impact our business, operating results, and financial condition; and
- The theft, loss, or destruction of private keys required to access any crypto assets held in custody for our own account or for our customers may be irreversible. If we are unable to access our private keys or if we experience a hack or other data loss relating to our ability to access any crypto assets, it could cause regulatory scrutiny, reputational harm, and other losses.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Coinbase Global, Inc. Condensed Consolidated Balance Sheets (In thousands, except per share data) (unaudited)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,723,806	\$ 5,139,351
Restricted cash and cash equivalents	31,881	22,992
Customer custodial funds	4,035,045	4,570,845
Safeguarding customer crypto assets	272,669,307	192,583,060
USDC	871,425	576,028
Loan receivables	398,239	193,425
Crypto assets borrowed	252,885	45,212
Accounts receivable, net	187,004	168,290
Other current assets	255,975	286,643
Total current assets	286,425,567	203,585,846
Crypto assets held for investment	1,260,718	330,610
Deferred tax assets	1,032,959	1,272,233
Goodwill	1,139,670	1,139,670
Other non-current assets	699,694	654,594
Total assets	\$ 290,558,608	\$ 206,982,953
Liabilities and Stockholders' Equity		
Current liabilities:		
Customer custodial cash liabilities	\$ 4,035,045	\$ 4,570,845
Safeguarding customer crypto liabilities	272,669,307	192,583,060
Crypto asset borrowings	265,259	62,980
Obligation to return collateral	118,224	1,063
Accrued expenses and other current liabilities	500,603	496,183
Total current liabilities	277,588,438	197,714,131
Long-term debt	4,231,047	2,979,957
Other non-current liabilities	11,001	7,216
Total liabilities	281,830,486	200,701,304
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, \$0.00001 par value; 500,000 shares authorized and zero shares issued and outstanding at each of September 30, 2024 and December 31, 2023	—	—
Class A common stock, \$0.00001 par value; 10,000,000 shares authorized at September 30, 2024 and December 31, 2023; 204,850 and 195,192 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	2	2
Class B common stock, \$0.00001 par value; 500,000 shares authorized at September 30, 2024 and December 31, 2023; 45,440 and 46,856 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	5,087,238	4,491,571
Accumulated other comprehensive loss	(28,843)	(30,270)
Retained earnings	3,669,725	1,820,346
Total stockholders' equity	8,728,122	6,281,649
Total liabilities and stockholders' equity	\$ 290,558,608	\$ 206,982,953

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Coinbase Global, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Net revenue	\$ 1,128,597	\$ 623,004	\$ 4,096,216	\$ 2,021,902
Other revenue	76,596	51,144	196,175	132,686
Total revenue	1,205,193	674,148	4,292,391	2,154,588
Operating expenses:				
Transaction expense	171,781	90,577	580,665	295,146
Technology and development	377,440	322,756	1,099,561	1,001,454
Sales and marketing	164,770	78,178	428,617	226,007
General and administrative	330,387	252,630	937,738	760,379
Gains on crypto assets held for operations, net	(142)	—	(55,484)	—
Crypto asset impairment, net	—	7,180	—	17,089
Restructuring	—	(860)	—	142,594
Other operating (income) expense, net	(8,556)	3,512	28,203	(10,806)
Total operating expenses	1,035,680	753,973	3,019,300	2,431,863
Operating income (loss)	169,513	(79,825)	1,273,091	(277,275)
Interest expense	20,530	20,821	60,108	64,029
Losses (gains) on crypto assets held for investment, net	120,507	—	(210,902)	—
Other income, net	(40,105)	(135,307)	(21,883)	(131,606)
Income (loss) before income taxes	68,581	34,661	1,445,768	(209,698)
(Benefit from) provision for income taxes	(6,914)	36,926	157,878	(31,132)
Net income (loss)	\$ 75,495	\$ (2,265)	\$ 1,287,890	\$ (178,566)
Net income (loss) attributable to common stockholders:				
Basic	\$ 75,455	\$ (2,265)	\$ 1,287,106	\$ (178,566)
Diluted	\$ 75,459	\$ (2,265)	\$ 1,296,949	\$ (178,566)
Net income (loss) per share:				
Basic	\$ 0.30	\$ (0.01)	\$ 5.23	\$ (0.76)
Diluted	\$ 0.28	\$ (0.01)	\$ 4.76	\$ (0.76)
Weighted-average shares of common stock used to compute net income (loss) per share:				
Basic	248,834	237,270	245,986	234,479
Diluted	267,440	237,270	272,239	234,479

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Coinbase Global, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 75,495	\$ (2,265)	\$ 1,287,890	\$ (178,566)
Other comprehensive income (loss):				
Translation adjustment	11,437	(10,354)	1,754	(4,822)
Income tax effect	9	(33)	327	685
Translation adjustment, net of tax	11,428	(10,321)	1,427	(5,507)
Comprehensive income (loss)	<u>\$ 86,923</u>	<u>\$ (12,586)</u>	<u>\$ 1,289,317</u>	<u>\$ (184,073)</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Coinbase Global, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended September 30, 2024 and September 30, 2023
(In thousands)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
Balance at July 1, 2024	248,337	\$ 2	\$ 4,816,808	\$ (40,271)	\$ 3,594,230	\$ 8,370,769
Issuance of common stock upon settlement of stock awards	1,567	—	—	—	—	—
Issuance of common stock upon exercise of stock options	386	—	10,738	—	—	10,738
Stock-based compensation (inclusive of capitalized stock-based compensation)	—	—	259,692	—	—	259,692
Other comprehensive income	—	—	—	11,428	—	11,428
Net income	—	—	—	—	75,495	75,495
Balance at September 30, 2024	250,290	\$ 2	\$ 5,087,238	\$ (28,843)	\$ 3,669,725	\$ 8,728,122
Balance at July 1, 2023	236,888	\$ 2	\$ 4,239,319	\$ (33,792)	\$ 1,549,174	\$ 5,754,703
Issuance of common stock upon settlement of stock awards, net of shares withheld	1,621	—	(68,570)	—	—	(68,570)
Issuance of common stock upon exercise of stock options, net of repurchases	660	—	11,383	—	—	11,383
Stock-based compensation (inclusive of capitalized stock-based compensation)	—	—	233,904	—	—	233,904
Other	—	—	2,291	—	—	2,291
Other comprehensive loss	—	—	—	(10,321)	—	(10,321)
Net loss	—	—	—	—	(2,265)	(2,265)
Balance at September 30, 2023	239,169	\$ 2	\$ 4,418,327	\$ (44,113)	\$ 1,546,909	\$ 5,921,125

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Coinbase Global, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Nine Months Ended September 30, 2024 and September 30, 2023
(In thousands)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
Balance at January 1, 2024	242,048	\$ 2	\$ 4,491,571	\$ (30,270)	\$ 1,820,346	\$ 6,281,649
Cumulative-effect adjustment due to the adoption of Accounting Standards Update ("ASU") 2023-08, net of tax	—	—	—	—	561,489	561,489
Issuance of common stock upon settlement of stock awards, net of shares withheld	4,129	—	(117,225)	—	—	(117,225)
Issuance of common stock upon exercise of stock options, net of repurchases	3,898	—	80,815	—	—	80,815
Issuance of common stock under the Employee Stock Purchase Plan (the "ESPP"), net of shares withheld	215	—	10,557	—	—	10,557
Stock-based compensation (inclusive of capitalized stock-based compensation)	—	—	725,630	—	—	725,630
Purchases of capped calls	—	—	(104,110)	—	—	(104,110)
Other comprehensive income	—	—	—	1,427	—	1,427
Net income	—	—	—	—	1,287,890	1,287,890
Balance at September 30, 2024	250,290	\$ 2	\$ 5,087,238	\$ (28,843)	\$ 3,669,725	\$ 8,728,122
Balance at January 1, 2023	230,866	\$ 2	\$ 3,767,686	\$ (38,606)	\$ 1,725,475	\$ 5,454,557
Issuance of equity instruments as consideration for business combination	961	—	44,995	—	—	44,995
Issuance of common stock upon settlement of stock awards, net of shares withheld	5,248	—	(183,962)	—	—	(183,962)
Issuance of common stock upon exercise of stock options, net of repurchases	1,840	—	29,384	—	—	29,384
Issuance of common stock under the ESPP	254	—	12,381	—	—	12,381
Stock-based compensation (inclusive of capitalized stock-based compensation)	—	—	661,510	—	—	661,510
Stock-based compensation expense recognized in relation to restructuring	—	—	84,042	—	—	84,042
Other	—	—	2,291	—	—	2,291
Other comprehensive loss	—	—	—	(5,507)	—	(5,507)
Net loss	—	—	—	—	(178,566)	(178,566)
Balance at September 30, 2023	239,169	\$ 2	\$ 4,418,327	\$ (44,113)	\$ 1,546,909	\$ 5,921,125

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Coinbase Global, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities		
Net income (loss)	\$ 1,287,890	\$ (178,566)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	94,523	110,157
Stock-based compensation expense	690,854	616,785
Deferred income taxes	61,075	(50,217)
Non-cash lease expense	8,571	37,271
Gains on crypto assets held for operations, net	(55,484)	—
Gains on crypto assets held for investment, net	(210,902)	—
Gain on extinguishment of long-term debt, net	—	(99,446)
Stock-based compensation expense recognized in relation to restructuring	—	84,042
Realized loss on crypto futures contract	—	43,339
Gains on crypto assets held, net (prior to ASU 2023-08)	—	(110,610)
Crypto asset impairment expense (prior to ASU 2023-08)	—	77,151
Crypto assets received as revenue (prior to ASU 2023-08)	—	(299,304)
Crypto asset payments for expenses (prior to ASU 2023-08)	—	185,149
Other operating activities, net	38,315	(2,164)
Net changes in operating assets and liabilities	(322,616)	514,550
Net cash provided by operating activities	1,592,226	928,137
Cash flows from investing activities		
Fiat loans originated	(1,270,063)	(348,252)
Proceeds from repayment of fiat loans	1,075,000	242,384
Purchase of crypto assets held for investment	(18,486)	—
Sale of crypto assets held for investment	52,586	—
Settlement of crypto futures contract	—	(43,339)
Purchase of crypto assets held (prior to ASU 2023-08)	—	(150,827)
Sale of crypto assets held (prior to ASU 2023-08)	—	265,042
Other investing activities, net	(72,006)	(50,125)
Net cash used in investing activities	(232,969)	(85,117)
Cash flows from financing activities		
Issuance of common stock upon exercise of stock options, net of repurchases	80,222	27,653
Taxes paid related to net share settlement of equity awards	(117,225)	(183,962)
Customer custodial cash liabilities	(550,776)	(1,349,666)
Issuance of convertible senior notes, net	1,246,025	—
Purchases of capped calls	(104,110)	—
Repurchases of senior and convertible notes	—	(222,664)
Fiat received as collateral	525,699	5,324
Fiat received as collateral returned	(410,438)	(4,585)
Other financing activities, net	13,266	(6,228)
Net cash provided by (used in) financing activities	682,663	(1,734,128)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	2,041,920	(891,108)
Effect of exchange rates on cash, cash equivalents, and restricted cash and cash equivalents	19,664	(27,353)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of period	9,555,429	9,429,646
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 11,617,013	\$ 8,511,185
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	\$ 33,424	\$ 42,913
Cash paid during the period for Income taxes	\$ 113,107	\$ 19,676

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Coinbase Global, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. NATURE OF OPERATIONS

Coinbase, Inc. was founded in 2012. In April 2014, in connection with a corporate reorganization, Coinbase, Inc. became a wholly-owned subsidiary of Coinbase Global, Inc. (together with its consolidated subsidiaries, the “Company”). On April 14, 2021, the Company completed the direct listing of its Class A common stock on the Nasdaq Global Select Market (the “Direct Listing”).

The Company provides a trusted platform that serves as a compliant gateway to the onchain economy and enables customers to engage in a wide variety of activities, including discovering, trading, staking, storing, spending, earning, and using their crypto assets in both proprietary and third-party product experiences enabled by access to decentralized applications. The Company offers (i) consumers their primary financial account for the cryptoeconomy, (ii) institutions a full-service prime brokerage platform with access to deep pools of liquidity across the crypto marketplace, and (iii) developers a suite of products granting access to the Company’s ecosystem.

The Company is remote-first and accordingly, does not maintain a headquarters. Substantially all of the Company’s executive team meetings are held virtually, with meetings occasionally held in-person at locations that are either not in the Company’s offices or in various of the Company’s offices distributed around the world. The Company holds all of its stockholder meetings virtually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and preparation

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries – entities in which the Company holds, directly or indirectly, more than 50% of the voting rights, or where it exercises control. The Condensed Consolidated Financial Statements are unaudited but have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) on the same basis as the audited Consolidated Financial Statements, and in management’s opinion, reflect all adjustments, consisting only of normal, recurring adjustments, that are necessary for the fair presentation of the Company’s Financial Statements. Preparation of the Condensed Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions in the Condensed Consolidated Financial Statements and notes thereto. Certain prior period amounts in the Condensed Consolidated Financial Statements have been reclassified to conform to the current period’s presentation. The unaudited Condensed Consolidated Results of Operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the full year or any other period and should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission (the “SEC”) on February 15, 2024 (the “Annual Report”).

There were no material changes to the Company’s most significant estimates and assumptions, significant accounting policies, or recent accounting pronouncements that were disclosed in *Note 2. Summary of Significant Accounting Policies* to the audited Consolidated Financial Statements included in the Annual Report, other than as discussed below.

Concentration of credit risk

The Company’s cash and cash equivalents, restricted cash and cash equivalents, customer custodial funds, USDC, loan receivables, certain crypto assets held, accounts receivable, and deposits are potentially subject to concentration of credit risk. See below for a discussion of each of these risks by counterparty and type of transaction.

Funds held at financial institutions

Cash and cash equivalents, restricted cash and cash equivalents, and customer custodial funds are

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primarily placed with financial institutions which are of high credit quality. The Company holds cash and cash equivalents and customer custodial funds primarily in highly liquid, highly rated instruments which are uninsured. The Company may also have corporate deposit balances with financial institutions which exceed the Federal Deposit Insurance Corporation insurance limit of \$250,000. The Company has not experienced losses on these accounts and does not believe it is exposed to any significant credit risk with respect to these accounts.

Funds held at trading venues, payment processors, and clearing brokers

The Company holds cash, restricted cash and deposits, and crypto assets at crypto asset trading venues, payment processors, and clearing brokers, and performs a regular assessment of these venues as part of its risk management process. As of September 30, 2024, the Company held \$135.6 million at these venues, including \$92.0 million in cash, \$17.0 million in restricted cash and deposits, and \$26.6 million in crypto assets. As of December 31, 2023, the Company held \$93.5 million at these venues, including \$88.8 million in cash.

USDC

The Company holds USDC, a stablecoin redeemable on a one-to-one basis for U.S. dollars. USDC is accounted for as a financial instrument in the Condensed Consolidated Financial Statements. The issuer of USDC reported that, as of September 30, 2024, underlying reserves were held in cash, short-duration U.S. Treasuries, and overnight U.S. Treasury repurchase agreements within segregated accounts for the benefit of USDC holders.

Accounts receivable

As of September 30, 2024 and December 31, 2023, the Company had one and two counterparties, respectively, who accounted for more than 10% of the Company's Accounts receivable, net. The Company performs a regular assessment of accounts receivable as part of its risk management process. In determining expected credit losses, the Company considers historical loss experience and the aging of its receivable balance. See *Note 7. Accounts Receivable, Net* for additional details.

Loan receivables

As of September 30, 2024 and December 31, 2023, the Company had four and three counterparties, respectively, who accounted for more than 10% of the Company's recorded loan receivables. As of both of these dates, the Company also had two and three counterparties, respectively, who accounted for more than 10% of the Company's customer loans that did not meet the recognition criteria. See *Note 6. Collateralized Arrangements and Financing* for additional details.

Revenue

During the three and nine months ended September 30, 2024 and 2023, one counterparty accounted for more than 10% of total revenue in each period.

Crypto assets held

The Company holds crypto assets for investment and operating purposes, as well as borrowed crypto assets and crypto assets held as collateral.

Effective January 1, 2024, the Company adopted ASU No. 2023-08, *Accounting for and Disclosure of Crypto Assets* ("ASU 2023-08") using a modified retrospective approach. Upon adoption, the Company recognized a fair value adjustment on crypto assets held of \$739.5 million and established an associated deferred tax liability of \$177.9 million, for a net cumulative-effect adjustment of \$561.5 million increasing retained earnings.

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As a result of the adoption of ASU 2023-08, the Company introduced four new categories of crypto assets held in the Condensed Consolidated Balance Sheets based on their nature. This updated presentation aligns with the ASU 2023-08 requirements and describes the purpose of the various types of crypto assets held by the Company.

Crypto assets held for investment

Crypto assets held for investment are primarily held long term. The Company does not engage in regular trading of these crypto assets but may lend crypto assets held for investment through Prime Financing or stake these assets. When crypto assets that were loaned are returned, they continue to be held for investment. See *Note 6. Collateralized Arrangements and Financing* for additional details on Prime Financing. Crypto assets held for investment are initially recorded at cost and are subsequently remeasured at fair value on a specific identification basis at the end of each reporting period, with changes in fair value recognized in net income. Fair value is measured using quoted crypto asset prices within the Company's principal market at the time of measurement. Fair value gains and losses on Crypto assets held for investment are recorded in Losses (gains) on crypto assets held for investment, net in the Condensed Consolidated Statements of Operations. Cash flows from crypto asset investment purchases and sales are recorded in Net cash used in investing activities in the Condensed Consolidated Statements of Cash Flows.

Crypto assets held for operations

The Company may receive crypto assets as a form of payment for transaction revenue, blockchain rewards, custodial fee revenue, and other subscriptions and services revenue which are recorded in Crypto assets held for operations when received. Crypto assets received as a form of payment are converted to cash nearly immediately or are used timely to fulfill corporate expenses. Crypto assets held for operations are initially recorded at the transaction price of the crypto assets at contract inception and are subsequently remeasured at fair value on a first in first out basis at the end of each reporting period, with changes in fair value recognized in net income. Fair value is measured using quoted crypto asset prices within the Company's principal market at the time of measurement. Fair value gains and losses on Crypto assets held for operations are recorded in Gains on crypto assets held for operations, net in the Condensed Consolidated Statements of Operations. Cash flows from crypto assets held for operations are recorded as Net changes in operating assets and liabilities in the Condensed Consolidated Statements of Cash Flows. Crypto assets held for operations are recorded in Other current assets in the Condensed Consolidated Balance Sheets.

Crypto assets borrowed

Crypto assets borrowed represent crypto assets borrowed from third parties to facilitate Prime Financing. Contemporaneously with the adoption of ASU 2023-08, the Company dedesignated \$62.9 million of crypto assets borrowed that previously qualified as fair value hedges against the corresponding crypto asset borrowings. There was a net zero impact of the cumulative fair value hedge basis adjustments that were reversed and recorded in Transaction expense. As of December 31, 2023, the cumulative amount of the fair value hedge adjustment was \$3.9 million.

Post hedge dedesignation and ASU 2023-08 adoption, crypto assets borrowed by the Company, that have not been loaned out, are recorded in Crypto assets borrowed in the Condensed Consolidated Balance Sheets. Crypto assets borrowed are initially recorded at cost and are subsequently remeasured at fair value using the average costing method at the end of each reporting period, with changes in fair value recognized in net income. Fair value is measured using quoted crypto asset prices within the Company's principal market at the time of measurement. Fair value gains and losses on Crypto assets borrowed are recorded in Transaction expense. See *Note 6. Collateralized Arrangements and Financing* for further details on Crypto assets borrowed and *Note 20. Supplemental Disclosures of Cash Flow Information* for details on Crypto assets borrowed included in the supplemental schedule of non-cash investing and financing activities.

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Crypto assets held as collateral

The Company requires borrowers to pledge collateral on loans originated through Prime Financing. Crypto assets held as collateral are initially recorded at cost if the Company has the right to sell, pledge, or rehypothecate the assets and are subsequently remeasured at fair value using the specific identification method at the end of each reporting period, with changes in fair value recognized in net income. Fair value is measured using quoted crypto asset prices within the Company's principal market at the time of measurement. Fair value gains and losses on Crypto assets held as collateral are recorded in Transaction expense in the Condensed Consolidated Statements of Operations. See *Note 6. Collateralized Arrangements and Financing* for additional details on crypto assets held as collateral and *Note 20. Supplemental Disclosures of Cash Flow Information* for details on flows of non-cash collateral, including crypto assets, included in the supplemental schedule of non-cash investing and financing activities. There were no crypto assets held as collateral that were recognized as collateral as of September 30, 2024 and December 31, 2023.

The following table shows the changes in presentation in the Condensed Consolidated Balance Sheets upon the Company's adoption of ASU 2023-08 (in thousands):

	December 31, 2023		
	Previously Reported	Adjustment	As Adjusted
Crypto assets held	\$ 449,925	\$ (449,925)	\$ —
Crypto assets held for investment	—	330,610	330,610
Crypto assets held for operations	—	74,103	74,103
Crypto assets borrowed	—	45,212	45,212
	<u>\$ 449,925</u>	<u>\$ —</u>	<u>\$ 449,925</u>

Recent accounting pronouncements

There have been no material developments relating to recent accounting pronouncements, including the expected dates of adoption and estimated effects on the Consolidated Financial Statements and footnote disclosures thereto, since those disclosed in the Annual Report.

3. RESTRUCTURING

In January 2023, the Company announced and completed a restructuring impacting 21% of the Company's headcount as of December 31, 2022. The restructuring was intended to manage the Company's operating expenses in response to the then-ongoing market conditions impacting the cryptoeconomy and business prioritization efforts. As a result, in 2023, the Company recorded restructuring charges of \$142.6 million, which included \$84.0 million in stock-based compensation, \$56.7 million in separation pay, and an immaterial amount of other personnel costs. All amounts were recorded during the nine months ended September 30, 2023 and were settled in 2023. There were no restructuring charges recorded during the nine months ended September 30, 2024.

4. ACQUISITIONS

On March 3, 2023, the Company completed the acquisition of One River Digital Asset Management, LLC ("ORDAM") by acquiring all issued and outstanding membership units of ORDAM. ORDAM is an institutional digital asset manager which is registered as an investment adviser with the SEC. The Company believes the acquisition aligns with the Company's long-term strategy to unlock further opportunities for institutions to participate in the cryptoeconomy.

Prior to the acquisition, the Company held a minority ownership stake in ORDAM, which was accounted for as a cost method investment. In accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*, the acquisition was accounted for as a business combination

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achieved in stages under the acquisition method. Accordingly, the cost method investment was remeasured to fair value as of the acquisition date. As the fair value of the cost method investment was equal to its carrying value, no gain or loss on remeasurement was recorded on the acquisition date.

The purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date with the excess recorded as goodwill. The goodwill balance was primarily attributed to the assembled workforce, market presence, synergies, and time-to-market advantages. Upon finalization of the fair value analysis of assets acquired and liabilities assumed, no measurement period adjustments were recorded.

The total consideration transferred in the acquisition was \$96.8 million and consisted of the following (in thousands):

Cash	\$	30,830
Cash payable		1,005
Previously-held interest on acquisition date		20,000
Class A common stock of the Company		44,995
Total purchase consideration	\$	<u>96,830</u>

Included in the purchase consideration was \$6.0 million in cash and 119,991 shares of the Company's Class A common stock that were subject to an indemnity holdback. The cash and shares subject to the indemnity holdback were released 18 months after the closing date of the transaction.

The results of operations and the fair values of the assets acquired and liabilities assumed have been recorded in the Condensed Consolidated Financial Statements as of the date of acquisition. The following table summarizes the fair values of assets acquired and liabilities assumed as of the date of acquisition (in thousands):

Goodwill	\$	65,764
Intangible assets, net		21,100
Other assets and liabilities, net		9,966
Net assets acquired	\$	<u>96,830</u>

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands, except for years data):

	Fair Value	Useful Life at Acquisition (in years)
Licenses	\$ 1,100	Indefinite
Customer relationships	\$ 17,100	6
In-process research and development ("IPR&D")	\$ 2,900	N/A

Customer relationships are amortized on a straight-line basis over their respective useful lives to General and administrative expense. Management applied significant judgment in determining the fair value of intangible assets, which involved the use of estimates and assumptions with respect to forecasted revenues and expenses, and costs to recreate the IPR&D and obtain the licenses.

Total acquisition costs incurred were immaterial and were recorded in General and administrative expense in the Condensed Consolidated Statements of Operations during the year ended December 31, 2023.

The impact of this acquisition was not considered material to the Condensed Consolidated Financial Statements for the periods presented, and supplemental pro forma information has not been provided.

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5. REVENUE

The following table presents revenue of the Company disaggregated by revenue source (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net revenue				
Transaction revenue				
Consumer, net ⁽¹⁾	\$ 483,261	\$ 246,980	\$ 2,083,245	\$ 865,103
Institutional, net	55,293	14,070	204,309	53,442
Other transaction revenue ⁽¹⁾	33,950	27,525	142,593	71,841
Total transaction revenue	572,504	288,575	2,430,147	990,386
Subscription and services revenue				
Stablecoin revenue	246,856	172,357	684,609	522,650
Blockchain rewards	154,815	74,461	490,883	235,824
Interest and finance fee income ⁽²⁾	63,987	42,517	200,050	137,762
Custodial fee revenue	31,723	15,805	98,569	49,839
Other subscription and services revenue ⁽²⁾	58,712	29,289	191,958	85,441
Total subscription and services revenue	556,093	334,429	1,666,069	1,031,516
Total net revenue	1,128,597	623,004	4,096,216	2,021,902
Other revenue				
Corporate interest and other income	76,596	51,144	196,175	132,686
Total other revenue	76,596	51,144	196,175	132,686
Total revenue	\$ 1,205,193	\$ 674,148	\$ 4,292,391	\$ 2,154,588

(1) During the first quarter of 2024, the Company reclassified Base and payment-related revenue from Consumer, net to Other transaction revenue. Prior period amounts have been reclassified to conform to current period presentation.

(2) During the first quarter of 2024, the Company reclassified Prime Financing fee income from Other subscription and services revenue to Interest and finance fee income. Prior period amounts have been reclassified to conform to current period presentation.

Revenue by geographic location

Below is Total revenue disaggregated by geography based on domiciles of the customers (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
U.S.	\$ 1,037,705	\$ 603,648	\$ 3,623,771	\$ 1,928,278
International ⁽¹⁾	167,488	70,500	668,620	226,310
Total revenue	\$ 1,205,193	\$ 674,148	\$ 4,292,391	\$ 2,154,588

(1) No country accounted for more than 10% of Total revenue.

6. COLLATERALIZED ARRANGEMENTS AND FINANCING

Loans and related collateral

The Company may lend crypto assets borrowed, crypto assets held for investment, corporate cash, and corporate USDC to eligible institutional customers through Prime Financing. Prime Financing lending arrangements may have open ended or fixed terms, with the exception of trade finance arrangements, which enable customers to instantly invest in crypto assets without pre-funding their trade. These

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arrangements are typically settled in one to three days. Crypto asset and fiat loans are recorded in Loan receivables in the Condensed Consolidated Balance Sheets. USDC loaned to customers does not meet the recognition criteria under ASC Topic 860, *Transfers and Servicing* ("ASC 860"), as the borrower has an obligation to return the same financial assets (USDC) back to the Company in order to release the collateral pledged for the loan. If a lending arrangement is open-ended, there is a call option and written put option on the same or similar asset embedded within the loan. This constitutes a form of continuing involvement with the USDC transferred and therefore the Company maintains effective control over the USDC. USDC loaned remains recorded in USDC in the Condensed Consolidated Balance Sheets.

The following table summarizes the Company's Prime Financing lending arrangements (in thousands):

	September 30, 2024	December 31, 2023
Loan receivables		
Fiat loan receivables	\$ 366,105	\$ 171,196
Crypto asset loan receivables	31,979	22,229
Fiat trade finance receivables	155	—
Total loan receivables	<u>\$ 398,239</u>	<u>\$ 193,425</u>
Customer loans not meeting recognition criteria		
USDC	\$ 122,020	\$ 205,645

Prime Financing loans are fully collateralized by a customer's pledged crypto assets, USDC, or fiat. As of September 30, 2024 and December 31, 2023, the collateral requirements for all loans outstanding, including customer loans not meeting recognition criteria, ranged from 100% to 300% of the fair value of the loan.

The Company adheres to strict internal risk management and liquidation protocols for loan counterparty defaults, including restricting trading and withdrawals and liquidating assets in borrowers' accounts as contractually permitted. If the value of the borrower's eligible collateral falls below the required collateral requirement, the customer is obligated to deposit additional collateral up to the required collateral level. The Company continuously and systematically monitors the fair value of the related collateral assets pledged compared to the fair value of the related loan receivable and customer loans not meeting recognition criteria, and requires additional collateral pursuant to the contractual terms of the loan agreements. Due to the collateral requirements the Company applies to its loans, the collateral maintenance process, and collateral being held on its own platform, the Company's credit exposure is significantly limited. No allowance, write-offs, or recoveries were recorded against loan receivables or customer loans not meeting recognition criteria during the periods presented. The Company would recognize credit losses on these loans if there were a collateral shortfall and it was not reasonably expected that the borrower would replenish such a shortfall.

The Company accounts for collateral it receives as follows:

- If the Company receives fiat collateral into a Coinbase controlled collateral wallet, the Company records the collateral in Cash and cash equivalents and a corresponding liability in Obligation to return collateral in the Condensed Consolidated Balance Sheets.
- If the Company receives USDC or crypto assets as collateral with contractual rights to sell, pledge, or rehypothecate the collateral, the Company records the collateral in USDC or Crypto assets held as collateral, respectively, and a corresponding liability in Obligation to return collateral in the Condensed Consolidated Balance Sheets, unless the non-cash collateral provision of ASC 860 applies, in which case the collateral is not recognized as collateral.

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- If the Company does not obtain control or have the right to sell, pledge, or rehypothecate customer collateral, the collateral is recorded in Safeguarding customer crypto assets and Safeguarding customer crypto liabilities if the collateral is USDC or crypto assets, or in Customer custodial funds and Customer custodial cash liabilities if the collateral is fiat, as the collateral is required to be held on the Company's platform.

Obligation to return collateral in the form of crypto assets is accounted for as a hybrid instrument, with a liability host contract that contains an embedded derivative based on the changes in fair value of the underlying crypto asset. See *Note 12. Derivatives* for additional information. The gain or loss on remeasurement of the Obligation to return collateral (as well as of the Crypto assets held as collateral) is recorded in Transaction expense.

There were no crypto assets held as collateral that were recognized as collateral as of September 30, 2024 and December 31, 2023. The fair value of the Company's Obligation to return collateral and customer collateral pledged that is not recognized as collateral, consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Obligation to return collateral		
Fiat	\$ 118,224	\$ 1,063
Customer collateral pledged, not recognized as collateral		
Crypto assets	\$ 1,013,188	\$ 593,816
Fiat	42,048	109,501
USDC	40,924	9,327
Total customer collateral not recognized as collateral	\$ 1,096,160	\$ 712,644

The following table provides a rollforward of Crypto assets held as collateral (in thousands):

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Beginning balance	\$ 21,119	\$ —
Collateral received	103,344	465,063
Collateral returned	(122,882)	(495,574)
Gains	—	30,511
Losses	(1,581)	—
Ending balance	\$ —	\$ —

No cumulative realized gains or losses occurred during the periods presented as no Crypto assets held as collateral were sold or rehypothecated.

Borrowings and related collateral

To facilitate Prime Financing, the Company may borrow crypto assets from third parties and record the associated liabilities in Crypto asset borrowings in the Condensed Consolidated Balance Sheets. Crypto asset borrowings are accounted for as hybrid instruments, with a liability host contract that contains an embedded derivative based on the changes in fair value of the underlying crypto asset. See *Note 12. Derivatives* for additional information. As of September 30, 2024 and December 31, 2023, the weighted average annual fees on these borrowings were 2.7% and 2.0%, respectively. Crypto asset borrowings that have not been loaned out are recorded in Crypto assets borrowed.

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The following table summarizes the units, cost basis, and fair value of Crypto assets borrowed and the associated Crypto asset borrowings (in thousands, except units):

	September 30, 2024			December 31, 2023
	Units	Cost Basis	Fair Value	Carrying Value
Crypto assets borrowed ⁽¹⁾				
Bitcoin	2,667	\$ 123,492	\$ 168,797	\$ 36,368
Ethereum	22,384	63,826	58,226	3,720
Solana	32,575	1,579	4,968	3,516
Other crypto assets ⁽²⁾	nm	20,029	20,894	1,608
Total borrowed		<u>\$ 208,926</u>	<u>\$ 252,885</u>	<u>\$ 45,212</u>
Crypto asset borrowings				
Bitcoin	2,744	\$ 127,756	\$ 173,703	\$ 50,679
Ethereum	23,894	68,131	62,154	7,059
Solana	32,575	1,579	4,968	3,513
Other crypto assets ⁽²⁾	nm	23,401	24,434	1,729
Total borrowings		<u>\$ 220,867</u>	<u>\$ 265,259</u>	<u>\$ 62,980</u>

nm - not meaningful

(1) Recorded at fair value as of December 31, 2023.

(2) Includes various other crypto asset balances, none of which individually represented more than 5% of the carrying value of total Crypto assets borrowed or total Crypto asset borrowings, as applicable.

The following table provides a rollforward of Crypto assets borrowed (in thousands):

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Beginning balance	\$ 223,123	\$ 45,212
Borrowing activity:		
Borrowings	128,287	353,325
Repayment of borrowings	(76,704)	(176,990)
Lending activity:		
Origination of loan receivables ⁽¹⁾	(343,437)	(1,055,533)
Customer repayment of loan receivables ⁽¹⁾	344,413	1,056,298
Gains	4,490	40,198
Losses	(27,287)	(9,625)
Ending balance	<u>\$ 252,885</u>	<u>\$ 252,885</u>

(1) Represents loans originated from borrowed assets. See Note 8. *Crypto Assets Held for Investment* for loans originated from assets held for investment.

No cumulative realized gains or losses occurred during the periods presented as no Crypto assets borrowed were sold.

Under the terms of the Company's crypto asset borrowing arrangements, the Company may be required to maintain a collateral to borrowing ratio and pledge fiat, USDC, or crypto assets as collateral. The Company may use borrowed assets to fulfill these requirements. If the lender has the right to use the Company's collateral, or if the collateral is fiat, the Company records the collateral pledged as Assets pledged as collateral in Other current assets in the Condensed Consolidated Balance Sheets. USDC pledged as collateral to lenders, where the lender does not have the right to sell, pledge, or

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rehypothecate, is not recorded as Assets pledged as collateral as the pledged USDC does not meet the derecognition criteria under ASC 860. This collateral continues to be recorded in USDC in the Condensed Consolidated Balance Sheets.

The fair value of the Company's corporate assets pledged as collateral against Crypto asset borrowings consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Assets pledged as collateral		
USDC	\$ 58,528	\$ 51,880
Fiat	—	1,191
Total pledged as collateral	<u>\$ 58,528</u>	<u>\$ 53,071</u>
Assets pledged as collateral not meeting derecognition criteria		
USDC	\$ 241,145	\$ 29,577

7. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Stablecoin revenue receivable	\$ 81,285	\$ 57,885
Customer fee revenue receivable	35,990	23,603
In-transit customer receivables	25,745	42,562
Other accounts receivable	64,762	66,799
Gross accounts receivable	207,782	190,849
Less: allowance for doubtful accounts	(20,778)	(22,559)
Total accounts receivable, net	<u>\$ 187,004</u>	<u>\$ 168,290</u>

8. CRYPTO ASSETS HELD FOR INVESTMENT

The following table summarizes Crypto assets held for investment (in thousands, except units):

		September 30, 2024		December 31, 2023
	Units	Cost Basis	Fair Value	Carrying Value ⁽¹⁾
Bitcoin	9,363	\$ 243,296	\$ 592,684	\$ 126,614
Ethereum	119,696	271,943	311,394	129,131
Other crypto assets ⁽²⁾	nm	341,259	356,640	74,865
Total held for investment		<u>\$ 856,498</u>	<u>\$ 1,260,718</u>	<u>\$ 330,610</u>

nm - not meaningful

(1) Recorded at impaired cost as of December 31, 2023.

(2) Includes various other crypto asset balances, none of which individually represented more than 5% of the carrying value of total Crypto assets held for investment.

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The following table provides a rollforward of Crypto assets held for investment (in thousands):

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Beginning balance	\$ 1,234,158	\$ 330,610
Cumulative-effect adjustment from adoption of ASU 2023-08	—	717,373
Additions ⁽¹⁾	69,740	85,149
Sales	(4,358)	(68,982)
Lending activity:		
Origination of loan receivables ⁽²⁾	(62,946)	(188,580)
Customer repayment of loan receivables ⁽²⁾	144,631	174,246
Gains ⁽³⁾	43,566	311,000
Losses ⁽³⁾	(164,073)	(100,098)
Ending balance	\$ 1,260,718	\$ 1,260,718

(1) Additions represent purchases of, and staking rewards earned on, Crypto assets held for investment.

(2) Represents loans originated from Crypto assets held for investment. See *Note 6. Collateralized Arrangements and Financing* for loans originated from borrowed assets.

(3) We measure gains and losses by each asset held. These amounts include cumulative realized gains of \$3.5 million and unrealized losses of \$124.0 million during the three months ended September 30, 2024, and cumulative realized gains of \$16.9 million and unrealized gains of \$194.0 million during the nine months ended September 30, 2024.

As of September 30, 2024, the Company had \$111.1 million of crypto assets subject to selling restrictions recorded in Crypto assets held for investment. The selling restrictions are time-based and lift between 2024 and 2029.

9. CUSTOMER ASSETS AND LIABILITIES

The following table presents customer assets and liabilities positions (in thousands):

	September 30, 2024	December 31, 2023
Customer custodial funds	\$ 4,035,045	\$ 4,570,845
Safeguarding customer crypto assets	272,669,307	192,583,060
Total customer assets	\$ 276,704,352	\$ 197,153,905
Customer custodial cash liabilities	\$ 4,035,045	\$ 4,570,845
Safeguarding customer crypto liabilities	272,669,307	192,583,060
Total customer liabilities	\$ 276,704,352	\$ 197,153,905

Safeguarding customer crypto assets and liabilities represent the Company's obligation to safeguard customer crypto assets. During the nine months ended September 30, 2024 and 2023, no losses were incurred in connection with customer custodial funds or safeguarding customer crypto assets.

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The following table sets forth the fair values of Safeguarding customer crypto assets and liabilities by asset type (in thousands, except percentages):

	September 30, 2024		December 31, 2023	
	Fair Value	% of Total	Fair Value	% of Total
Bitcoin	\$ 143,160,959	52 %	\$ 89,864,637	47 %
Ethereum	43,330,072	16 %	40,200,059	21 %
Solana	17,865,901	7 %	12,906,278	6 %
Other crypto assets ⁽¹⁾	68,312,375	25 %	49,612,086	26 %
Total safeguarding customer crypto assets and liabilities	<u>\$ 272,669,307</u>	<u>100 %</u>	<u>\$ 192,583,060</u>	<u>100 %</u>

(1) Includes various other crypto asset balances, including stablecoins that are considered crypto assets for safeguarding purposes, none of which individually represented more than 5% of total Safeguarding customer crypto assets and liabilities.

10. OTHER CONDENSED CONSOLIDATED BALANCE SHEETS DETAILS

The following table presents certain other details of the Condensed Consolidated Balance Sheets (in thousands):

	September 30, 2024	December 31, 2023
Other current assets		
Crypto assets held for operations	\$ 98,277	\$ 74,103
Prepaid expenses	58,507	79,552
Assets pledged as collateral ⁽¹⁾	63,128	53,071
Income taxes receivable	16,831	63,726
Other	19,232	16,191
Total other current assets	<u>\$ 255,975</u>	<u>\$ 286,643</u>
Other non-current assets		
Strategic investments	\$ 359,051	\$ 343,045
Software and equipment, net	193,000	192,550
Intangible assets, net	52,060	86,422
Income taxes receivable	55,968	—
Other	39,615	32,577
Total other non-current assets	<u>\$ 699,694</u>	<u>\$ 654,594</u>
Accrued expenses and other current liabilities		
Accrued payroll and payroll related expenses	\$ 192,645	\$ 224,237
Other accrued expenses	139,244	89,254
Accounts payable	39,375	39,294
Income taxes payable	7,122	17,366
Other payables	122,217	126,032
Total accrued expenses and other current liabilities	<u>\$ 500,603</u>	<u>\$ 496,183</u>

(1) See Note 6. *Collateralized Arrangements and Financing* for details on the portion relating to Crypto asset borrowings.

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Crypto assets held for operations

The following table summarizes Crypto assets held for operations (in thousands, except units):

	September 30, 2024			December 31, 2023
	Units	Cost Basis	Fair Value	Carrying Value ⁽¹⁾
Bitcoin	99	\$ 5,912	\$ 6,259	\$ 7,243
Ethereum	10,687	24,144	27,755	15,775
Solana	198,125	29,029	29,951	10,275
Other crypto assets ⁽²⁾	nm	48,809	34,312	40,810
Total held for operations		\$ 107,894	\$ 98,277	\$ 74,103

nm - not meaningful

(1) Recorded at impaired cost as of December 31, 2023.

(2) Includes various other crypto asset balances, none of which individually represented more than 5% of the carrying value of total Crypto assets held for operations.

11. LONG-TERM DEBT

The components of Long-term debt as of September 30, 2024 and December 31, 2023 were as follows (in thousands, except percentages):

	Effective Interest Rate	Principal Amount	Unamortized Debt Discount and Issuance Costs	Net Carrying Amount
September 30, 2024				
0.50% 2026 Convertible Notes due on June 1, 2026	0.98 %	\$ 1,273,013	\$ (10,899)	\$ 1,262,114
3.38% 2028 Senior Notes due on October 1, 2028	3.57 %	1,000,000	(6,981)	993,019
0.25% 2030 Convertible Notes due on April 1, 2030	0.55 %	1,265,000	(20,229)	1,244,771
3.63% 2031 Senior Notes due on October 1, 2031	3.77 %	737,457	(6,314)	731,143
Total		\$ 4,275,470	\$ (44,423)	\$ 4,231,047
December 31, 2023				
0.50% 2026 Convertible Notes due on June 1, 2026	0.98 %	\$ 1,273,013	\$ (15,378)	\$ 1,257,635
3.38% 2028 Senior Notes due on October 1, 2028	3.57 %	1,000,000	(8,218)	991,782
3.63% 2031 Senior Notes due on October 1, 2031	3.77 %	737,457	(6,917)	730,540
Total		\$ 3,010,470	\$ (30,513)	\$ 2,979,957

2030 Convertible Notes

In March 2024, the Company issued an aggregate principal amount of \$1.3 billion of convertible senior notes due 2030 (the “2030 Convertible Notes”), which included the full exercise by the initial purchasers of their option to purchase up to an additional \$165.0 million aggregate principal amount of the 2030 Convertible Notes, pursuant to an indenture, dated March 18, 2024 between the Company and U.S. Bank Trust Company, National Association, as trustee (the “Indenture”). The 2030 Convertible Notes were offered and sold in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

The 2030 Convertible Notes are senior unsecured obligations of the Company and accrue interest of 0.25% per year payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2024. The 2030 Convertible Notes mature on April 1, 2030, unless earlier repurchased, redeemed or converted. The proceeds received of \$1.2 billion, were net of a 1.5% original issue discount.

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The 2030 Convertible Notes will be convertible into cash, shares of the Company's Class A common stock, or a combination thereof, at the Company's election at an initial conversion rate of 2.9981 shares of the Company's Class A common stock per \$1,000 principal amount of notes. This is equivalent to an initial conversion price of approximately \$333.54 per share of the Company's Class A common stock. The conversion rate and conversion price are subject to customary adjustments under certain circumstances in accordance with the terms of the Indenture.

Beginning with the third quarter of 2024, the 2030 Convertible Notes are convertible at the option of the holder if the last reported sale price per share of Class A common stock exceeds 130% of the conversion price for each of at least 20 trading days, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. Upon conversion, the Company may satisfy its conversion obligation by paying or delivering, as applicable, cash, shares of the Company's Class A common stock, or a combination of cash and shares of the Company's Class A common stock, at the Company's election, based on the applicable conversion rate. In addition, if certain corporate events that constitute a make-whole fundamental change (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time. Additionally in the event of a corporate event constituting a fundamental change (as defined in the Indenture), holders of the 2030 Convertible Notes may require the Company to repurchase all or a portion of their 2030 Convertible Notes at a repurchase price equal to 100% of the principal amount of the 2030 Convertible Notes being repurchased, plus accrued and unpaid special interest or additional interest, if any, to, but excluding, the date of the fundamental change repurchase.

The Company accounts for the 2030 Convertible Notes wholly as debt because (1) the conversion features do not require bifurcation as a derivative under ASC Topic 815, *Derivatives and Hedging* and (2) the 2030 Convertible Notes were not issued at a substantial premium.

Debt issuance costs related to the issuance of the 2030 Convertible Notes recognized were \$3.2 million, and include commissions payable to the underwriters and third-party offering costs. As of September 30, 2024, the outstanding aggregate principal balance of the 2030 Convertible Notes and the related unamortized discounts were \$1.3 billion and \$20.2 million, respectively.

Capped calls

On May 18, 2021, in connection with the pricing of the convertible senior notes due in 2026 (the "2026 Convertible Notes"), on March 13, 2024, in connection with the pricing of the 2030 Convertible Notes, and on March 14, 2024, in connection with the full exercise by the initial purchasers of their option to purchase additional 2030 Convertible Notes, the Company entered into privately negotiated capped call transactions (the "2026 Capped Calls" and "2030 Capped Calls," respectively, and "the Capped Calls" collectively) with certain financial institutions (the "2026 Option Counterparties" and "2030 Option Counterparties," respectively, and the "Option Counterparties" collectively) at a cost of \$90.1 million and \$104.1 million, respectively, in each case in exchange for the right to receive a predetermined amount of cash, shares of the Company's Class A common stock, or a combination thereof, at the Company's election. The Capped Calls cover, subject to customary adjustments, the number of shares of the Company's Class A common stock initially underlying each of the 2026 Convertible Notes and 2030 Convertible Notes (collectively, the "Convertible Notes"), as applicable. The Capped Calls allow the Company to hedge the economic effect of the conversion options embedded in the Convertible Notes and purchase shares of its own Class A common stock at a specified strike price. By entering into the Capped Calls, the Company expects to reduce the potential dilution to its Class A common stock (or, in the event a conversion of the Convertible Notes is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the Convertible Notes its Class A common stock price exceeds the conversion price of the Convertible Notes. The 2026 Capped Calls have an initial strike price of approximately \$370.45 per share of Class A common stock (the "2026 Initial Strike Price") and an initial cap price of approximately \$478.00 per share of Class A common stock (the "2026 Initial Cap Price"). The 2030 Capped Calls have an initial strike price of approximately \$333.54 per share of Class A common stock (the "2030 Initial Strike Price" and, together with the 2026 Initial Strike Price, the "Initial Strike

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Prices”) and an initial cap price of approximately \$503.46 per share of Class A common stock (the “2030 Initial Cap Price” and, together with the 2026 Initial Cap Price, the “Initial Cap Prices”). Upon expiration of the agreements underlying the Capped Calls, the Capped Calls will be automatically exercised. If the closing market price of the Class A common stock is above the applicable Initial Cap Price, the initial investments will be returned with a premium in either cash or shares at the Company’s election. If the closing market price of the Class A common stock is at or below the applicable Initial Strike Price, the Company will receive the number of shares specified in the agreements.

Upon certain extraordinary events, nationalization, insolvency or delisting event, or additional disruption events, the Capped Calls are contractually structured to terminate. The Company has the contractual right to terminate the Capped Calls upon repurchase, redemption, or conversion (in the case of conversion, prior to December 1, 2025 or October 1, 2029, for the 2026 Capped Calls and 2030 Capped Calls, respectively) of the underlying Convertible Notes, in certain circumstances.

The Capped Calls also include early termination provisions based on beneficial ownership positions of the counterparties. That is, if at any time the counterparty’s holdings exceed 8% beneficial ownership of the Company (as defined under Section 13 of the Exchange Act) and the counterparty is unable, after commercially reasonable efforts, to effect a transfer or assignment of all or a portion of the transaction such that an excess ownership position no longer exists, the counterparty may early terminate a portion of the Capped Calls, in which case the Company can settle in cash or shares of its Class A common stock.

12. DERIVATIVES

During the periods presented, the Company’s derivatives were all embedded forward contracts to receive or deliver a fixed amount of crypto assets in the future.

Impact of derivatives on the Condensed Consolidated Balance Sheets

The following table summarizes the balance sheet impact of derivative instruments as measured in U.S. dollar equivalents (in thousands):

Condensed Consolidated Balance Sheets Location	Notional	Fair Value, Net	Total
September 30, 2024			
Not designated as hedging instruments			
Accounts receivable, net ⁽¹⁾	\$ 8,616	\$ 9,705	\$ 18,321
Crypto asset borrowings	220,867	44,392	265,259
Accrued expenses and other current liabilities ⁽¹⁾	28,015	187	28,202
December 31, 2023			
Designated as hedging instruments			
Crypto asset borrowings	\$ 31,666	\$ 13,547	\$ 45,213
Not designated as hedging instruments			
Accounts receivable, net ⁽¹⁾	16,335	28,065	44,400
Crypto asset borrowings	12,503	5,264	17,767
Accrued expenses and other current liabilities ⁽¹⁾	20,092	590	20,682

(1) Represents the portion of the Condensed Consolidated Balance Sheet line item that is denominated in crypto assets.

	Gross Derivative Assets			Gross Derivative Liabilities		
Condensed Consolidated Balance Sheets Location	Not Designated as Hedges	Designated as Hedges	Total Derivative Assets	Not Designated as Hedges	Designated as Hedges	Total Derivative Liabilities
September 30, 2024						
Accounts receivable, net	\$ 9,705	\$ —	\$ 9,705	\$ —	\$ —	\$ —
Crypto asset borrowings	12,585	—	12,585	56,977	—	56,977
Accrued expenses and other current liabilities	2,473	—	2,473	2,660	—	2,660
Total fair value of derivatives	<u>\$ 24,763</u>	<u>\$ —</u>	<u>\$ 24,763</u>	<u>\$ 59,637</u>	<u>\$ —</u>	<u>\$ 59,637</u>
December 31, 2023						
Accounts receivable, net	\$ 28,065	\$ —	\$ 28,065	\$ —	\$ —	\$ —
Crypto asset borrowings	26	(25)	1	5,290	13,522	18,812
Accrued expenses and other current liabilities	2,511	—	2,511	3,101	—	3,101
Total fair value of derivatives	<u>\$ 30,602</u>	<u>\$ (25)</u>	<u>\$ 30,577</u>	<u>\$ 8,391</u>	<u>\$ 13,522</u>	<u>\$ 21,913</u>

Gains (losses) on derivative instruments recorded in the Condensed Consolidated Statements of Operations were as follows (in thousands):

	Derivatives	Hedged Items	Income Statement Impact ⁽⁴⁾	Derivatives	Hedged Items	Income Statement Impact ⁽⁴⁾
	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
Not designated as hedging instruments						
Crypto asset borrowings ⁽¹⁾	\$ 23,797	\$ —	\$ 23,797	\$ (26,018)	\$ —	\$ (26,018)
Obligation to return collateral ⁽¹⁾	1,581	—	1,581	(30,511)	—	(30,511)
Other ⁽²⁾	4,712	—	4,712	(9,921)	—	(9,921)
Total	<u>\$ 30,090</u>	<u>\$ —</u>	<u>\$ 30,090</u>	<u>\$ (66,450)</u>	<u>\$ —</u>	<u>\$ (66,450)</u>
	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
Designated as hedging instruments						
Crypto asset futures ⁽³⁾	\$ 1,329	\$ (1,331)	\$ (2)	\$ (41,782)	\$ 47,160	\$ 5,378
Crypto asset borrowings ⁽³⁾	12,707	(4,247)	8,460	(75,848)	44,686	(31,162)
Not designated as hedging instruments						
Accounts receivable, net ⁽³⁾	(8,466)	—	(8,466)	38,614	—	38,614
Other ⁽²⁾	12,320	—	12,320	12,963	—	12,963
Total	<u>\$ 17,890</u>	<u>\$ (5,578)</u>	<u>\$ 12,312</u>	<u>\$ (66,053)</u>	<u>\$ 91,846</u>	<u>\$ 25,793</u>

- (1) As of January 1, 2024, the date of the Company's adoption of ASU 2023-08, changes in fair value are recorded in Transaction expense in the Condensed Consolidated Statements of Operations.
- (2) Changes in fair value are recorded in Other income, net or Other operating (income) expense, net in the Condensed Consolidated Statements of Operations depending on the nature of the derivative.
- (3) Prior to adoption of ASU 2023-08, changes in fair value were recorded in Other operating (income) expense, net in the Condensed Consolidated Statements of Operations.
- (4) Though the Company has dedesignated crypto assets borrowed that previously qualified as fair value hedges, the impact of derivatives is naturally offset, at least in part, by the impact of associated naturally offsetting positions in the Condensed Consolidated Statements of Operations.

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13. FAIR VALUE MEASUREMENTS

The following table sets forth by level within the fair value hierarchy, the Company's assets and liabilities measured and recorded at fair value on a recurring basis (in thousands):

	September 30, 2024		December 31, 2023	
	Level 1	Level 2	Level 1	Level 2
Assets				
Cash equivalents ⁽¹⁾	\$ 6,087,747	\$ —	\$ 3,682,917	\$ —
Restricted cash equivalents ⁽²⁾	15,970	—	—	—
Customer custodial funds ⁽³⁾	2,818,825	—	3,301,029	—
Safeguarding customer crypto assets	—	272,669,307	—	192,583,060
Crypto asset loan receivables	—	31,979	—	22,229
Crypto assets borrowed ⁽⁴⁾	252,885	—	45,212	—
Crypto assets held for operations	98,277	—	—	—
Crypto assets held for investment	1,260,718	—	—	—
Derivative assets ⁽⁵⁾	—	24,763	—	30,577
Total assets	\$ 10,534,422	\$ 272,726,049	\$ 7,029,158	\$ 192,635,866
Liabilities				
Safeguarding customer crypto liabilities	\$ —	\$ 272,669,307	\$ —	\$ 192,583,060
Derivative liabilities ⁽⁵⁾	—	59,637	—	21,913
Total liabilities	\$ —	\$ 272,728,944	\$ —	\$ 192,604,973

(1) Represents cash equivalents, which comprise money market funds and government bonds. Excludes cash, comprising \$1.5 billion of corporate cash held in deposit at banks and \$92.0 million held at venues as of September 30, 2024 and \$1.4 billion of corporate cash held in deposit at banks and \$88.8 million held at venues as of December 31, 2023.

(2) Represents restricted cash equivalents, which comprise money market funds. Excludes restricted cash, comprising \$15.9 million held in deposit at banks and held at venues as of September 30, 2024.

(3) Represents customer custodial cash equivalents, which comprise money market funds. Excludes customer custodial funds, comprising \$1.2 billion and \$1.3 billion held in deposit at financial institutions and customer custodial funds in transit as of September 30, 2024 and December 31, 2023, respectively.

(4) December 31, 2023 amount represents crypto assets designated as hedged items in fair value hedges.

(5) See Note 12. *Derivatives* for additional details.

The Company has valued all Level 2 assets and liabilities using quoted market prices for the underlying crypto assets.

Assets and liabilities measured and recorded at fair value on a non-recurring basis

The Company's non-financial assets, such as software and equipment, goodwill, crypto assets held prior to the adoption of ASU 2023-08, and other intangible assets, are adjusted to fair value when an impairment charge is recognized.

The Company's strategic investments are recorded at cost and adjusted to fair value for observable transactions for same or similar investments of the same issuer or for impairment, on a non-recurring basis. Fair value measurements for strategic investments are based predominantly on Level 3 inputs to an Option-Pricing Model that uses publicly available market data of comparable companies and other unobservable inputs including expected volatility, expected time to liquidity, adjustments for other company-specific developments, and the rights and obligations of the securities the Company holds.

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The changes in the carrying value of strategic investments accounted for under the measurement alternative are presented below (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Beginning balance	\$ 330,346	\$ 315,285
Net additions ⁽¹⁾	26,931	54,271
Upward adjustments	1,861	62
Previously held interest in ORDAM (see Note 4)	—	(20,000)
Impairments and downward adjustments	(18,217)	(5,774)
Ending balance	<u>\$ 340,921</u>	<u>\$ 343,844</u>

(1) Net additions include additions from purchases and reductions due to exits of strategic investments.

The following table summarizes the cumulative impact from remeasurement of measurement alternative investments outstanding at the dates shown, recorded in Other income, net (in thousands):

	September 30, 2024	December 31, 2023
Cumulative upward adjustments	\$ 6,774	\$ 4,913
Cumulative impairments and downward adjustments	\$ (145,262)	\$ (127,045)

Assets and liabilities not measured and recorded at fair value

Certain of the Company's financial instruments, including cash, restricted cash, certain customer custodial funds and related liabilities, USDC, fiat accounts and loan receivables, fiat and USDC collateral, and fiat accounts payable are not measured and recorded at fair value. The carrying values of these instruments approximate their fair values due to their liquid or short-term nature. If these financial instruments were recorded at fair value, they would be based on Level 1 valuation inputs, except for fiat accounts receivable, fiat loan receivables, and fiat accounts payable which would be based on Level 2 valuation inputs.

The Company's long-term debt is not measured and recorded at fair value. As of September 30, 2024, the estimated fair value of the 2026 Convertible Notes, the 2030 Convertible Notes, the 2028 Senior Notes, and the 2031 Senior Notes were \$1.2 billion, \$1.1 billion, \$897.5 million and \$624.1 million, respectively. As of December 31, 2023, the estimated fair value of the 2026 Convertible Notes, the 2028 Senior Notes, and the 2031 Senior Notes were \$1.2 billion, \$828.4 million, and \$557.8 million, respectively. These are based on quoted prices for these instruments in markets that are not active and other market observable inputs, which are considered Level 2 valuation inputs.

14. STOCK-BASED COMPENSATION

Stock options

A summary of stock options activity is as follows (in thousands, except per share and years data):

	Options Outstanding	Weighted Average		Aggregate Intrinsic Value
		Exercise Price Per Share	Remaining Contractual Life (Years)	
Balance at January 1, 2024	28,697	\$ 25.01	6.1	\$ 4,295,055
Exercised	(3,901)	20.45		
Forfeited and cancelled	(71)	57.74		
Balance at September 30, 2024	<u>24,725</u>	\$ 25.63	5.5	\$ 3,788,857
Exercisable at September 30, 2024	18,591	\$ 26.35	5.3	\$ 2,839,868
Vested and expected to vest at September 30, 2024	18,591	\$ 26.35	5.3	\$ 2,839,868

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As of September 30, 2024, there was total unrecognized compensation cost of \$32.4 million related to unvested stock options, which cost is expected to be recognized over a weighted-average period of 2.6 years.

Other awards

A summary of restricted stock unit, performance restricted stock unit, and restricted common stock ("Other Awards") activity is as follows (in thousands, except per share data):

	Restricted Stock Units		Performance Restricted Stock Units		Restricted Common Stock	
	Number of Shares	Fair Value ⁽¹⁾	Number of Shares	Fair Value ⁽¹⁾	Number of Shares	Fair Value ⁽¹⁾
Balance at January 1, 2024	3,016	\$ 108.07	804	\$ 55.42	543	\$ 114.22
Granted	5,340	145.46	—	—	—	—
Vested	(4,710)	134.85	(80)	55.42	(199)	138.05
Forfeited and cancelled	(601)	130.24	—	—	(4)	267.48
Balance at September 30, 2024	3,045	\$ 127.85	724	\$ 55.42	340	\$ 98.49

(1) Represents the weighted-average grant date fair value per share.

As of September 30, 2024, there was unrecognized compensation cost related to Other Awards as follows (in thousands, except years data):

	Unrecognized Compensation	Weighted-Average Recognition Period (Years)
Restricted stock units	\$ 328,688	1.2
Performance restricted stock units	\$ 11,223	1.2
Restricted common stock	\$ 13,458	1.0

Stock-based compensation

The effects of stock-based compensation in the Condensed Consolidated Statements of Operations and Condensed Consolidated Balance Sheets are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Statements of Operations				
Technology and development	\$ 155,411	\$ 130,776	\$ 428,863	\$ 376,941
Sales and marketing	18,720	16,556	52,034	45,695
General and administrative	74,285	70,821	209,957	194,149
Restructuring	—	—	—	84,042
Total stock-based compensation expense	\$ 248,416	\$ 218,153	\$ 690,854	\$ 700,827
Balance Sheets				
Other non-current assets ⁽¹⁾	\$ 11,276	\$ 15,745	\$ 34,776	\$ 44,725

(1) Represents capitalized stock-based compensation that is recorded in Software and equipment, net within this financial statement line item. See Note 10. Other Condensed Consolidated Balance Sheets Details for additional details.

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15. OTHER INCOME, NET

Other income, net consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Losses (gains) on strategic investments, net	\$ 478	\$ (48,488)	\$ 15,141	\$ (38,330)
(Gains) losses on foreign exchange, net	(4,848)	382	(3,518)	10,916
Gain on extinguishment of long-term debt, net	—	(81,591)	—	(99,446)
Other	(35,735)	(5,610)	(33,506)	(4,746)
Total other income, net	<u>\$ (40,105)</u>	<u>\$ (135,307)</u>	<u>\$ (21,883)</u>	<u>\$ (131,606)</u>

16. INCOME TAXES

For the nine months ended September 30, 2024, the Company calculated the tax provision using a discrete effective tax rate method. Historically, the tax provision was calculated for interim periods using an estimated annual effective tax rate ("ETR"), applied to year-to-date ordinary income. The Company's estimated annual effective tax rate can fluctuate significantly based on the amount of estimated pretax income or loss in the period. For example, when pretax income is lower, the effect of non-deductible expenses or other discrete items will have a significant impact on the effective tax rate. Therefore, the Company determined the discrete effective tax rate method is the appropriate method for calculating the interim tax provision.

The Company's effective tax rate for the three months ended September 30, 2024 and 2023 was (10.1)% and 106.5%, respectively. The effective tax rate of (10.1)% for the three months ended September 30, 2024 was lower than the U.S. statutory rate of 21.0% primarily due to the Company's deductible stock-based compensation and research and development credits. The Company's ETR for the nine months ended September 30, 2024 and 2023 was 10.9% and 14.9%, respectively. The ETR of 10.9% for the nine months ended September 30, 2024 was lower than the U.S. statutory rate of 21.0%, primarily due to the Company's deductible stock-based compensation and research and development credits.

As of September 30, 2024, the Company had a net deferred tax asset balance of \$1.0 billion, compared to \$1.3 billion as of December 31, 2023. The decrease resulted from the deferred tax liability of \$177.9 million established upon the Company's adoption of ASU 2023-08 and the deferred tax provision of \$61.1 million recorded on pretax earnings and other comprehensive income (loss) during the nine months ended September 30, 2024. As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. Management determined that there is sufficient positive evidence to conclude that it is more likely than not that the Company's net deferred tax asset will be fully realized.

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17. NET INCOME (LOSS) PER SHARE

The computation of Net income (loss) per share, including the weighted average shares outstanding used in the computation ("WASO"), is as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerators				
Net income (loss)	\$ 75,495	\$ (2,265)	\$ 1,287,890	\$ (178,566)
Less: Income allocated to participating shares	(40)	—	(784)	—
Net income (loss) attributable to common stockholders, basic	<u>\$ 75,455</u>	<u>\$ (2,265)</u>	<u>\$ 1,287,106</u>	<u>\$ (178,566)</u>
Net income (loss)	\$ 75,495	\$ (2,265)	\$ 1,287,890	\$ (178,566)
Add: Interest on the Convertible Notes, net of tax	—	—	9,773	—
Less: Income allocated to participating shares	(36)	—	(714)	—
Net income (loss) attributable to common stockholders, diluted	<u>\$ 75,459</u>	<u>\$ (2,265)</u>	<u>\$ 1,296,949</u>	<u>\$ (178,566)</u>
Denominators				
WASO - basic	248,834	237,270	245,986	234,479
Weighted-average effect of potentially dilutive shares:				
Stock options	16,241	—	17,342	—
Convertible Notes	—	—	6,205	—
Restricted stock units	1,720	—	2,073	—
Performance restricted stock units	384	—	357	—
Restricted common stock	261	—	276	—
WASO - diluted	<u>267,440</u>	<u>237,270</u>	<u>272,239</u>	<u>234,479</u>
Net income (loss) per share attributable to common stockholders:				
Basic	\$ 0.30	\$ (0.01)	\$ 5.23	\$ (0.76)
Diluted	\$ 0.28	\$ (0.01)	\$ 4.76	\$ (0.76)

Certain shares of the Company's restricted Class A common stock granted as consideration in past acquisitions are participating securities. These participating securities do not contractually require the holders of such shares to participate in the Company's losses.

The rights, including the liquidation and dividend rights, of the holders of Class A and Class B common stock are identical, except with respect to voting. As a result, the undistributed earnings are allocated on a proportionate basis and the resulting income (loss) per share will, therefore, be the same for both Class A and Class B common stock on an individual or combined basis.

The following potentially dilutive shares were not included in the calculation of diluted shares outstanding as the effect would have been anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock-based compensation awards ⁽¹⁾	7,416	38,063	7,416	38,063
Convertible Notes	7,229	3,706	—	3,706
Total	<u>14,645</u>	<u>41,769</u>	<u>7,416</u>	<u>41,769</u>

(1) Includes shares under the ESPP.

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18. COMMITMENTS AND CONTINGENCIES

Indemnifications

In the event any registrable securities are included in a registration statement, the Company's Amended and Restated Investors' Rights Agreement (the "IRA") entered into with certain of the Company's stockholders provides indemnity to each stockholder, their partners, members, officers, directors, and stockholders and certain of their advisors; each underwriter, if any; and each person who controls each stockholder or underwriter, against any damages incurred in connection with investigating or defending any claim or proceeding arising as a result of such registration from which damages may result. The Company will reimburse each such party for any legal and any other expenses reasonably incurred, provided that the Company will not be liable in any such case to the extent the damages arise out of or are based upon any actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such stockholder or underwriter and stated to be specifically for use therein.

The Company also has indemnity agreements with certain officers and directors of the Company pursuant to which the Company must indemnify the officer or director against all expenses, judgments, fines, and amounts paid in settlement reasonably incurred in connection with a third party proceeding, if the indemnitee acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company, and in the case of a criminal proceeding, had no reasonable cause to believe the indemnitee's conduct was unlawful.

It is not possible to determine the maximum potential exposure under these indemnification agreements: (i) because the facts and circumstances involved in each claim are unique and the Company cannot predict the number or nature of claims that may be made; (ii) due to the unique facts and circumstances involved in each particular agreement; and (iii) due to the requirement for a registration of the Company's securities before any of the indemnification obligations contemplated in the IRA become effective.

The Company has also provided indemnities or similar commitments on standard commercial terms in the ordinary course of business.

Legal and regulatory proceedings

The Company is subject to various litigation, regulatory investigations, and other legal proceedings that arise in the ordinary course of its business. The Company is also subject to regulatory oversight by numerous regulatory and other governmental agencies. The Company reviews its lawsuits, regulatory investigations, and other legal proceedings on an ongoing basis and provides disclosure and records loss contingencies in accordance with the loss contingencies accounting guidance. In accordance with such guidance, the Company establishes accruals for such matters when potential losses become probable and can be reasonably estimated. If the Company determines that a loss is reasonably possible and the loss or range of loss can be estimated, the Company discloses the possible loss in the Condensed Consolidated Financial Statements.

In July and August 2021, three purported securities class actions were filed in the U.S. District Court for the Northern District of California against the Company, its directors, certain of its officers and employees, and certain venture capital and investment firms. The complaints alleged violations of Sections 11, 12(a)(2) and 15 of the Securities Act, in connection with the registration statement and prospectus filed in connection with the Direct Listing. In November 2021, these actions were consolidated and recaptioned as *In re Coinbase Global Securities Litigation*, and an amended complaint was filed. The plaintiff seeks, among other relief, unspecified compensatory damages, attorneys' fees, and costs. The Company disputes the claims in these cases and is vigorously defending against them. Based on the preliminary nature of the proceedings in these cases, the outcome of these matters remain uncertain and the Company cannot estimate the potential impact, if any, on its business or financial statements at this time. The Company has subsequently received, and expects to receive in the future, similar shareholder claims.

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In October 2021, a purported class action captioned *Underwood et al. v. Coinbase Global, Inc.*, was filed in the U.S. District Court for the Southern District of New York (the “District Court”) against the Company alleging claims under Sections 5, 15(a)(1) and 29(b) of the Exchange Act, and violations of certain California and Florida state statutes. On March 11, 2022, plaintiffs filed an amended complaint adding Coinbase, Inc. and Brian Armstrong as defendants and adding causes of action, including alleging claims under Sections 5, 12(a)(1) and 15 of the Securities Act and violations of certain New Jersey state statutes. Among other relief requested, the plaintiffs sought injunctive relief, unspecified damages, attorneys’ fees and costs. On February 1, 2023, the District Court dismissed all federal claims (with prejudice) and state law claims (without prejudice) against Coinbase Global, Inc., Coinbase, Inc. and Brian Armstrong. Subsequently, on February 9, 2023, the plaintiffs appealed that ruling to the U.S. Court of Appeals for the Second Circuit (the “Court of Appeals”), and the parties completed briefing the appeal on September 13, 2023. Oral argument took place on February 1, 2024 and on April 5, 2024, the Court of Appeals issued a Summary Order affirming the District Court’s dismissal order with respect to the claims alleging violations of the Exchange Act, and reversing the District Court’s dismissal order with respect to the claims alleging violations of the Securities Act and violations of the state statutes. On June 27, 2024, defendants filed an answer to the amended complaint, and on July 29, 2024, the defendants filed a Motion for Judgment on the Pleadings requesting the District Court dismiss the remaining claims. The defendants continue to dispute the claims in this case and intend to vigorously defend against them. Based on the nature of the proceedings in this case, the outcome of this matter remains uncertain and the Company cannot estimate the potential impact, if any, on its business or financial statements at this time.

In December 2021, a shareholder derivative suit captioned *Shin v. Coinbase Global, Inc.*, was filed in New York state court against the Company and its directors, alleging breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets, and seeking unspecified damages and injunctive relief. The Company has subsequently received, and expects to receive in the future, similar derivative claims. The Company disputes the claims in these cases and intends to vigorously defend against them. Based on the preliminary nature of the proceedings in these cases, the outcome of these matters remain uncertain and the Company cannot estimate the potential impact, if any, on its business or financial statements at this time.

During 2022, the Company’s subsidiary, Coinbase, Inc., which holds a BitLicense from the New York Department of Financial Services (“NYDFS”) and is therefore subject to examinations and investigations by the NYDFS, was subject to an investigation by the NYDFS relating to its compliance program including compliance with the Bank Secrecy Act and sanctions laws, cybersecurity, and customer support. In January 2023, the NYDFS announced a consent order focused on historical shortcomings in Coinbase, Inc.’s compliance program. Pursuant to the consent order, Coinbase, Inc. paid a \$50.0 million penalty in January 2023 and completed an agreed additional investment of \$50.0 million in its compliance function as of the quarter ended June 30, 2024.

In April 2022, a dissenting stockholder to the Company’s acquisition of FairXchange, Inc. (“FairX”) filed a Verified Petition for Appraisal of Stock in the Court of Chancery of the State of Delaware seeking, among other relief, an appraisal of the fair value of their common and preferred shares of FairX stock. Petitioners contend that the valuation of FairX was higher than the valuation ascribed by the parties at the time of the transaction. The case is captioned *Hyde Park Venture Partners Fund III, L.P. et al. v. FairXchange, LLC, et al.* Trial took place in November 2023 and post-trial briefing and argument was completed on March 5, 2024 and March 22, 2024, respectively. A settlement offer was made and rejected in November 2023, and another settlement offer was made and rejected in May 2024. On July 30, 2024, the Court of Chancery of the State of Delaware issued an opinion determining the fair value of FairX to be the deal price ascribed by the parties at the time of the transaction, plus both pre- and post-judgment interest. On October 29, 2024, final judgment was entered reflecting this fair value, and the appeal period will expire on December 2, 2024. Should either party appeal, the Company cannot reasonably estimate the potential impact beyond the amounts recorded.

In June 2023, the SEC filed a complaint in the District Court against the Company and Coinbase, Inc. alleging that Coinbase, Inc. has acted as an unregistered securities exchange, broker, and clearing

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agency in violation of Sections 5, 15(a) and 17A(b) of the Exchange Act and that, through its staking program, Coinbase, Inc. has offered and sold securities without registering its offers and sales in violation of Sections 5(a) and 5(c) of the Securities Act. The SEC has also alleged that the Company is liable for the alleged violations as an alleged control person of Coinbase, Inc. The case is captioned *SEC v. Coinbase, Inc. et al.* The SEC seeks, among other relief, injunctive relief, disgorgement and civil money penalties. The Company and Coinbase, Inc. filed an answer to the SEC complaint in June 2023, dispute the claims in this case, and intend to vigorously defend against them. On August 4, 2023, the Company and Coinbase, Inc. filed a motion for judgment on the pleadings. The SEC filed its response on October 3, 2023 and the Company and Coinbase, Inc. filed their reply on October 24, 2023. Oral argument took place on January 17, 2024. On March 27, 2024, the District Court denied in part the Company and Coinbase, Inc.'s motion for judgment on the pleadings with respect to the SEC's claims that Coinbase, Inc. has operated as an unregistered securities exchange, broker, and clearing agency and has engaged in an unregistered offer and sale of securities through the Company's staking program. The District Court dismissed the SEC's claim that Coinbase, Inc. acts as an unregistered broker through its wallet service. Subsequently, on April 12, 2024, the Company and Coinbase, Inc. filed a motion with the District Court seeking certification of an interlocutory appeal to the Court of Appeals. Based on the preliminary nature of the proceedings in this case, the outcome of this matter remains uncertain and the Company cannot estimate the potential impact, if any, on its business or financial statements at this time. An adverse resolution of the SEC's lawsuit could have a material impact on the Company's business and financial statements.

In June 2023, the Company and Coinbase, Inc. were issued notices, show-cause orders, and cease-and-desist letters, and became the subject of various legal actions initiated by U.S. state securities regulators in the states of Alabama, California, Illinois, Kentucky, Maryland, New Jersey, South Carolina, Vermont, Washington and Wisconsin alleging violations of state securities laws with respect to staking services provided by Coinbase, Inc. In July 2023, the Company and Coinbase, Inc. entered into agreements with state securities regulators in California, New Jersey, South Carolina and Wisconsin, pursuant to which customers in those states will no longer be able to stake new funds, in each case pending final adjudication of the matters. In October 2023, the Company and Coinbase, Inc. entered into a similar agreement with the Maryland state securities regulator. The Company and Coinbase, Inc. dispute the claims of the state securities regulators and intend to vigorously defend against them. Based on the preliminary nature of these actions, the final outcome of these matters remains uncertain and the Company cannot estimate the potential impact on its business or financial statements at this time. An adverse resolution could have a material impact on the Company's business and financial statements.

The Company has, from time to time, received investigative subpoenas and requests from regulators for documents and information, including about certain customer programs, operations, and existing and intended future products, including the Company's processes for listing assets, the classification of certain listed assets, its staking programs, and its stablecoin and yield-generating products.

Except as otherwise disclosed, the Company believes the ultimate resolution of existing legal and regulatory investigation matters will not have a material adverse effect on the financial condition, results of operations, or cash flows of the Company. However, in light of the uncertainties inherent in these matters, it is possible that the ultimate resolution of one or more of these matters may have a material adverse effect on the Company's results of operations for a particular period, and future changes in circumstances or additional information could result in additional accruals or resolution in excess of established accruals, which could adversely affect the Company's results of operations, potentially materially.

Tax regulation

Current promulgated tax rules related to crypto assets are unclear and require significant judgments to be made in interpretation of the law, including but not limited to the areas of income tax, information reporting, transaction level taxes and the withholding of tax at source. Additional legislation or guidance may be issued by U.S. and non-U.S. governing bodies that may differ significantly from the Company's practices or interpretation of the law, which could have unforeseen effects on the Company's financial

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condition and results of operations, and accordingly, the related impact on the Company's financial condition and results of operations is not estimable.

19. RELATED PARTY TRANSACTIONS

Revenue and Accounts receivable, net

Certain of the Company's directors, executive officers, and principal owners, including immediate family members, are users of the Company's platform. The Company recognized revenue from related party customers of \$5.1 million and \$3.4 million during the three months ended September 30, 2024 and 2023, respectively, and \$18.7 million and \$11.6 million during the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024 and December 31, 2023, Accounts receivable, net from related party customers were \$2.5 million and \$3.4 million, respectively.

Customer assets and liabilities

Safeguarding customer crypto assets and safeguarding customer crypto liabilities for related parties as of September 30, 2024 and December 31, 2023 were \$8.3 billion and \$8.8 billion, respectively. Customer custodial funds and Customer custodial cash liabilities for related parties as of September 30, 2024 and December 31, 2023 were \$5.5 million and \$348.0 million, respectively.

Other assets

The Company made strategic investments of an aggregate of \$3.5 million and an immaterial amount for the three months ended September 30, 2024 and 2023, respectively, and \$6.8 million and \$1.9 million for the nine months ended September 30, 2024 and 2023, respectively, in investees in which certain related parties of the Company held an interest over 10%.

Expenses and Accounts payable

During the three months ended September 30, 2024 and 2023, the Company incurred \$0.2 million and \$0.4 million, respectively, and during the nine months ended September 30, 2024 and 2023, \$1.6 million and \$1.0 million, respectively, for professional and consulting services provided by entities affiliated with related parties. As of September 30, 2024 and December 31, 2023, Accounts payable to related party parties were immaterial.

20. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Changes in operating assets and liabilities affecting cash were as follows (in thousands):

	Nine Months Ended September 30,	
	2024	2023
USDC	\$ (294,104)	\$ 464,728
Accounts receivable, net	(37,759)	81,317
Customer custodial funds in transit	4,039	(28,055)
Income taxes, net	(19,341)	(157)
Other current and non-current assets	(7,106)	21,244
Other current and non-current liabilities	31,655	(24,527)
Net changes in operating assets and liabilities	\$ (322,616)	\$ 514,550

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The following is a reconciliation of cash, cash equivalents, and restricted cash and cash equivalents (in thousands):

	September 30,	
	2024	2023
Cash and cash equivalents	\$ 7,723,806	\$ 5,100,799
Restricted cash and cash equivalents	31,881	26,319
Customer custodial cash and cash equivalents	3,861,326	3,384,067
Total cash, cash equivalents, and restricted cash and cash equivalents	\$ 11,617,013	\$ 8,511,185

The following is a supplemental schedule of non-cash investing and financing activities (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Crypto asset loan receivables originated	\$ 1,244,113	\$ 409,027
Crypto asset loan receivables repaid	1,230,544	446,095
Cumulative-effect adjustment due to the adoption of ASU 2023-08	561,489	—
Non-cash assets received as collateral returned	495,574	237,681
Non-cash assets received as collateral	465,063	242,883
Crypto assets borrowed	353,325	399,460
Crypto assets borrowed repaid with crypto assets	176,990	437,254
Non-cash assets pledged as collateral	75,893	128,587
Non-cash assets pledged as collateral returned	69,245	140,818
Non-cash consideration paid for business combinations	—	51,494
Crypto assets received on settlement of futures contract	—	48,491

21. SUBSEQUENT EVENTS

In October 2024, the Company's board of directors authorized a share repurchase program of up to \$1.0 billion of the Company's Class A common stock without expiration (the "Share Repurchase Program"). Repurchases may be made at management's discretion from time to time on the open market (including through trading plans intended to qualify under Rule 10b5-1 under the Exchange Act), through privately negotiated transactions, or by other methods in accordance with applicable securities laws and other restrictions. The timing and amount of any repurchases will depend on market conditions and other considerations. The Share Repurchase Program does not obligate the Company to repurchase any dollar amount or number of shares of the Company's Class A common stock, and the program may be modified, suspended, or discontinued at any time.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and the accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled Risk Factors in Part II, Item 1A of this Quarterly Report on Form 10-Q. Unless otherwise expressly stated or the context otherwise requires, references to "we," "our," "us," "the Company," and "Coinbase" refer to Coinbase Global, Inc. and its consolidated subsidiaries. For all narrative provided in this Item 2, two numbers presented consecutively represent figures for the three and nine months ended September 30, 2024 as compared to the corresponding periods in 2023, respectively, unless otherwise noted.

Executive Overview

This executive overview of Management's Discussion and Analysis of Financial Condition and Results of Operations highlights selected information and does not contain all of the information that is important to readers of this Quarterly Report on Form 10-Q.

During the third quarter of 2024, we continued to make progress against our goals of driving revenue growth, crypto utility, and regulatory clarity. We showed progress in diversifying our revenue and driving crypto utility through products like derivatives, international expansion, custody, and deeper integration of USDC into the cryptoeconomy. For the three and nine months ended September 30, 2024 we generated \$1.1 billion and \$4.1 billion of Net revenue, respectively, and \$75.5 million and \$1.3 billion in Net income, respectively. For the remainder of the year, we believe that we are well-positioned to drive revenue growth across all macroeconomic environments, and we remain committed to advancing regulatory clarity.

Key Business Metrics

In addition to the measures presented in our Condensed Consolidated Financial Statements, we use the key business metrics listed below to evaluate our business, measure our performance, identify trends affecting our business, and make strategic decisions:

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2024	2023		2024	2023	
MTUs (in millions)	7.8	6.7	16	8.0	7.5	7
Trading Volume (in billions)	\$ 185	\$ 76	143	\$ 723	\$ 313	131
Net income (loss) (in millions)	\$ 75	\$ (2)	nm	\$ 1,288	\$ (179)	820
Adjusted EBITDA ⁽¹⁾ (in millions)	\$ 449	\$ 178	152	\$ 2,058	\$ 654	215

nm - not meaningful

(1) See the section titled "Non-GAAP Financial Measure" below for a reconciliation of Net income (loss) to Adjusted EBITDA and an explanation for why we consider Adjusted EBITDA to be a helpful metric for investors.

Monthly Transacting Users

We define a Monthly Transacting User ("MTU") as a consumer who actively or passively transacts in one or more products on our platform at least once during the rolling 28-day period ending on the date of measurement. Quarterly MTUs are the average of each month's MTUs in each respective quarter. Revenue-generating transactions include active transactions such as buying or selling crypto assets or passive transactions such as earning a staking reward. MTUs also engage in transactions that are non-revenue generating such as send and receive. MTUs may overstate the number of unique consumers due to differences in product architecture or user behavior.

MTUs increased for the three and nine months ended September 30, 2024 as compared to 2023, primarily due to a 0.6 million and 0.8 million increase in trading users, influenced by overall crypto market sentiment and activity and higher average crypto asset prices. Additionally, for the three months ended comparative period, we saw growth in users purchasing USDC and participating in USDC rewards programs, while for the nine months ended comparative period, the increase in trading users was partially offset by a decrease in staking users as a result of updates we made to our staking service.

Trading Volume

We define Trading Volume as the total United States ("U.S.") dollar equivalent value of spot matched trades transacted between a buyer and seller through our platform during the period of measurement. Trading Volume represents the product of the quantity of assets transacted and the trade price at the time the transaction was executed. As trading activity directly impacts transaction revenue, we believe this measure is a reflection of liquidity on our order books, trading health, and the underlying growth of the cryptoeconomy.

Generally, Trading Volume on our platform is primarily influenced by overall market dynamics, namely the price of crypto assets, crypto asset volatility, macroeconomic conditions, and by our share of total crypto market spot trading volume. In periods of high crypto asset prices and crypto asset volatility, we have experienced correspondingly high levels of Trading Volume on our platform.

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2024	2023	%	2024	2023	%
Trading Volume (in billions)						
Consumer	\$ 34	\$ 11	209	\$ 127	\$ 46	176
Institutional	151	65	132	596	267	123
Total Trading Volume	<u>\$ 185</u>	<u>\$ 76</u>	143	<u>\$ 723</u>	<u>\$ 313</u>	131
Trading Volume by crypto asset						
Bitcoin	37 %	38 %	(3)	35 %	36 %	(3)
Ethereum	15	19	(21)	14	22	(36)
USDT ⁽¹⁾	15	15	—	11	10	10
Other crypto assets ⁽²⁾	33	28	18	40	32	25
Total	<u>100%</u>	<u>100%</u>		<u>100%</u>	<u>100%</u>	
Transaction revenue by crypto asset						
Bitcoin	35 %	37 %	(5)	32 %	37 %	(14)
Ethereum	16	18	(11)	15	19	(21)
Solana	11	nm	nm	6	nm	nm
Other crypto assets ⁽²⁾	38	46	(17)	47	44	7
Total ⁽³⁾	<u>100%</u>	<u>100%</u>		<u>100%</u>	<u>100 %</u>	

nm - not meaningful

(1) USDT is a stablecoin issued by Tether Operations Limited.

(2) No crypto assets other than those shown in this table individually represented more than 10% of our Trading Volume or our Transaction revenue, as applicable.

(3) Figures presented above may not sum precisely due to rounding.

For the three and nine months ended September 30, 2024 as compared to 2023, Trading Volume increased reflecting an increase in both the total market and our market share in the U.S., where our business is concentrated:

- **Total market** — Crypto Asset Volatility¹ increased 78% and 36% and total crypto market capitalization increased 95% and 102%. These two macro inputs have historically been highly correlated with Trading Volume and are typically influenced by overall crypto market sentiment, activity in the crypto market, and changes in average crypto asset prices; and
- **Market share** — Trading Volume growth outpaced the 109% and 87% growth in overall U.S. spot market trading volume, as we were able to capture a larger portion of the trading activity due to our competitive position and product strategy.

¹ Crypto Asset Volatility represents our internal measure of crypto asset volatility in the market relative to prior periods. The volatility is based on intraday returns of a volume-weighted basket of all assets listed on our trading platform. These returns are used to compute the basket's intraday volatility which is then scaled to a daily window. These daily volatility values are then averaged over the applicable time period as needed.

Components of Results of Operations

Revenue

We generate revenue from transactions, subscription and services, and other activities. The vast majority of our total revenue is generated in the U.S., which is based on the domicile of the customers.

Net revenue

Transaction revenue

Transaction revenue is generated primarily from transaction fees on consumer and institutional trades that occur on our platform. We also earn other transaction revenue, which primarily consists of sequencer fees from Base users and fees charged for payment-related transactions. Transaction revenue is recognized at the time the transaction is processed.

We provide a trade matching service for users to buy, sell, or convert crypto assets through our platform. This trading activity is the primary source of our transaction revenue and core to the service we offer. Transaction revenue is generated primarily from transaction fees applied to spot trades that are executed by both consumer and institutional customers on our platform. The transaction fee earned is based on the price and quantity of the crypto asset that is bought, sold, or converted. Transaction revenue is directly correlated with Trading Volume, which is driven by both the number of spot trade transactions processed on our platform and the crypto asset price at the time of execution. Institutional customers incur lower fees per transaction than consumer customers and, as a result, the impact of changes in consumer Trading Volume on transaction revenue is more pronounced than the impact of changes in institutional Trading Volume. Within consumer transaction revenue, advanced trading offers customers a wider range of tools and order types with prices varying based on volume, while Simple trading offers a streamlined interface and fixed price quotes. Simple trading fees are generally higher than those on Advanced trading. As a result of all of these factors, changes in mix between types of transactions will affect transaction revenue. In addition, changes in our pricing will affect transaction revenue. See the section titled “—Key Business Metrics—Trading Volume” above for more information on our Trading Volume metric.

Subscription and services revenue

Subscription and services revenue primarily consists of:

- **Stablecoin revenue:** We derive stablecoin revenue from our arrangement with the issuer of USDC. We earn a pro rata portion of income earned on USDC reserves based on the amount of USDC held on each respective party's platform, and from the distribution and usage of USDC after certain expenses. Income derived by us from this arrangement is dependent on various factors, including the balance of USDC on our platform, the total market capitalization of USDC, which is the total amount of USDC in circulation, and the prevailing interest rate environment.
- **Blockchain rewards:** We operate a proof-of-stake service that enables customers to stake eligible crypto assets and validate transactions on certain blockchain networks. This allows customers to earn rewards from the networks while maintaining ownership of their assets. Revenue is measured based on the number of tokens received and the fair value of the token at contract inception.
- **Interest and finance fee income:** We earn interest on customer custodial funds held at third-party depository institutions, which is influenced by Trading Volume and prevailing interest rates. As consumer Trading Volume increases, customer custodial funds on our platform also tend to increase. Additionally, we earn interest and finance fee income from loans issued to institutional customers through Prime Financing. The amount earned depends on the total loans issued and the contractual rate.

- Custodial fee revenue: We earn custodial fee revenue based on a percentage of the daily value of crypto assets held under custody within cold storage solutions for our Prime customers. The value of crypto assets held under custody is driven by the quantity, price, and type of crypto asset. Our custodial fee revenue is further dependent on the fee rates we charge to our customers.
- Other subscription and services revenue primarily comprises revenue from Coinbase One, developer product revenue, including items such as delegation, participation, and infrastructure services, and revenue from other subscription licenses.

Other revenue

Other revenue includes interest income earned on our corporate cash and cash equivalents.

Operating expenses

Operating expenses consist of Transaction expense, Technology and development, Sales and marketing, General and administrative, Gains on crypto assets held for operations, net, Crypto asset impairment, net, Restructuring, and Other operating (income) expense, net. Personnel-related expense in all of these categories includes employee cash, stock-based compensation expense, and other employee benefits.

Transaction expense

Transaction expense includes costs directly associated with revenues. For transaction revenues, these expenses include costs to operate our platform, process crypto asset trades, perform wallet services, transaction rebates and incentives earned by customers, and transaction reversal losses. For subscription and services revenues, the primary expenses are the rewards distributed to users for staking their assets and can be impacted by the fees we charge. Fixed-fee costs are expensed over the term of the contract and transaction-level costs are expensed as incurred. Transaction expense also includes gains and losses from remeasurement of the fair value of crypto asset borrowing and collateral-related assets and liabilities, which are by their nature offsetting and net to an immaterial amount.

Our transaction expenses as a percentage of revenue will vary depending on the composition of our revenue. For example, if interest income and stablecoin revenue increase as a percentage of net revenue, transaction expenses as a percentage of net revenue will decrease as there are no transaction expenses directly attributed to these revenues. Conversely, if blockchain rewards increase as a percentage of net revenue, transaction expenses as a percentage of net revenue will increase since the majority of blockchain rewards revenue is distributed to the customer.

Technology and development

Technology and development expenses comprise mainly personnel-related expenses incurred in operating, maintaining, and enhancing our platform and in developing new products and services. These costs also include website hosting and infrastructure expenses, and the amortization of internally developed and acquired developed technology. Certain costs of developing new products and services are capitalized to software and equipment, net included within Other non-current assets in our Condensed Consolidated Balance Sheets.

Sales and marketing

Sales and marketing expenses primarily include personnel-related expenses, marketing program costs, USDC rewards, and costs related to customer acquisition.

General and administrative

General and administrative expenses include personnel-related expenses incurred to support our business, including executive, customer support, compliance, finance, human resources, legal, and other support operations. These expenses also include professional services, policy spend, and software subscriptions for support services.

Gains on crypto assets held for operations, net

Gains on crypto assets held for operations, net, reflect changes in the fair value of crypto assets received as a form of payment and nearly immediately converted to cash or used timely to fulfill corporate expenses. In addition to crypto asset price changes, these gains and losses are influenced by the volume and mix of crypto assets received and used, and the timing of the turnover of these crypto assets.

Crypto asset impairment, net

Crypto asset impairment, net represents gross impairments recorded on crypto assets held, net of subsequent realized gains on the sale and disposal of previously impaired crypto assets held. Beginning in January 2024, we adopted ASU 2023-08, and no longer record crypto asset impairments.

Restructuring

Restructuring expenses comprise separation pay, stock-based compensation, and other personnel costs related to reductions in our headcount.

Other operating (income) expense, net

Other operating (income) expense, net includes fair value gains and losses related to derivatives as well as platform-related incidents. The value of derivatives fluctuates with market conditions.

Interest expense

Interest expense on debt includes coupon interest expense, as well as amortization of debt discounts and debt issuance costs.

Losses (gains) on crypto assets held for investment, net

Losses (gains) on crypto assets held for investment, net generally comprise fair value remeasurement gains and losses from our crypto assets held for investment. These investments are considered long-term holdings, we do not plan on engaging in regular trading of crypto assets, and, as an operating company, our investing activities in crypto are not part of our revenue generating activities, which are based on transactions on our platform and the sales of subscriptions and services.

Other income, net

Other income, net includes the following items:

- realized and unrealized gains and losses on foreign currency exchange;
- realized and unrealized fair value gains and losses on strategic equity investments; and
- net gains on the repurchase of certain of our long-term debt.

Because the majority of these components are generally variable based on changes in market conditions, they can vary widely from period to period. The income and expenses recognized in this line item are not part of our core operating activities.

(Benefit from) provision for income taxes

(Benefit from) provision for income taxes includes income taxes related to foreign jurisdictions and U.S. federal and state income taxes.

Results of Operations

The following table summarizes the historical Condensed Consolidated Statements of Operations data (in thousands) and each component as a percentage of total revenue:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	\$	% ⁽¹⁾	\$	% ⁽¹⁾	\$	% ⁽¹⁾	\$	% ⁽¹⁾
Revenue:								
Net revenue	\$ 1,128,597	94	\$ 623,004	92	\$ 4,096,216	95	\$ 2,021,902	94
Other revenue	76,596	6	51,144	8	196,175	5	132,686	6
Total revenue	1,205,193	100	674,148	100	4,292,391	100	2,154,588	100
Operating expenses:								
Transaction expense	171,781	14	90,577	13	580,665	14	295,146	14
Technology and development	377,440	31	322,756	48	1,099,561	26	1,001,454	46
Sales and marketing	164,770	14	78,178	12	428,617	10	226,007	10
General and administrative	330,387	27	252,630	37	937,738	22	760,379	35
Gains on crypto assets held for operations, net	(142)	—	—	—	(55,484)	(1)	—	—
Crypto asset impairment, net	—	—	7,180	1	—	—	17,089	1
Restructuring	—	—	(860)	—	—	—	142,594	7
Other operating (income) expense, net	(8,556)	(1)	3,512	1	28,203	1	(10,806)	(1)
Total operating expenses	1,035,680	86	753,973	112	3,019,300	70	2,431,863	113
Operating income (loss)	169,513	14	(79,825)	(12)	1,273,091	30	(277,275)	(13)
Interest expense	20,530	2	20,821	3	60,108	1	64,029	3
Losses (gains) on crypto assets held for investment, net	120,507	10	—	—	(210,902)	(5)	—	—
Other income, net	(40,105)	(3)	(135,307)	(20)	(21,883)	(1)	(131,606)	(6)
Income (loss) before income taxes	68,581	6	34,661	5	1,445,768	34	(209,698)	(10)
(Benefit from) provision for income taxes	(6,914)	(1)	36,926	5	157,878	4	(31,132)	(1)
Net income (loss)	\$ 75,495	6	\$ (2,265)	—	\$ 1,287,890	30	\$ (178,566)	(8)

(1) Percentage of total revenue. Figures presented above may not sum precisely due to rounding.

Comparison of the three and nine months ended September 30, 2024 and 2023

Revenue

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Transaction revenue	\$ 572,504	\$ 288,575	\$ 283,929	98	\$ 2,430,147	\$ 990,386	\$ 1,439,761	145
Subscription and services revenue	556,093	334,429	221,664	66	1,666,069	1,031,516	634,553	62
Other revenue	76,596	51,144	25,452	50	196,175	132,686	63,489	48
Total revenue	\$ 1,205,193	\$ 674,148	\$ 531,045	79	\$ 4,292,391	\$ 2,154,588	\$ 2,137,803	99

For the three and nine months ended September 30, 2024 we generated 86% and 84%, respectively, of total revenue in the U.S. For the three and nine months ended September 30, 2023 we generated 90% and 89%, respectively, of total revenue in the U.S. No other country accounted for more than 10% of total revenue during the periods presented. International revenue comprised mainly transaction revenue in all periods presented.

Transaction revenue

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Consumer, net ⁽¹⁾	\$ 483,261	\$ 246,980	\$ 236,281	96	\$ 2,083,245	\$ 865,103	\$ 1,218,142	141
Institutional, net	55,293	14,070	41,223	293	204,309	53,442	150,867	282
Other transaction revenue ⁽¹⁾	33,950	27,525	6,425	23	142,593	71,841	70,752	98
Total transaction revenue	\$ 572,504	\$ 288,575	\$ 283,929	98	\$ 2,430,147	\$ 990,386	\$ 1,439,761	145

(1) Prior period amounts were reclassified to conform to current period presentation. See Note 5. Revenue of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details.

Transaction revenue increased for the three and nine months ended September 30, 2024 as compared to 2023, due to:

- an increase in consumer transaction revenue of \$478.2 million and \$1.5 billion due to a 209% and 176% increase in consumer Trading Volume. This increase was offset in part by a decrease of \$241.9 million and \$283.4 million attributed to a lower average blended fee rate, primarily due to changes in the mix of Trading Volume from Simple to Advanced trading;
- an increase in institutional transaction revenue of \$20.9 million and \$71.5 million due to 132% and 123% higher institutional Trading Volume, and an increase of \$9.5 million and \$49.5 million as a result of a higher average blended spot trading fee rate primarily due to increased usage of our Prime Brokerage product; and
- an increase in other transaction revenue for the nine months ended September 30, 2024, primarily due to the launch of Base in the third quarter of 2023.

Subscription and services revenue

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Stablecoin revenue	\$ 246,856	\$ 172,357	\$ 74,499	43	\$ 684,609	\$ 522,650	\$ 161,959	31
Blockchain rewards	154,815	74,461	80,354	108	490,883	235,824	255,059	108
Interest and finance fee income ⁽¹⁾	63,987	42,517	21,470	50	200,050	137,762	62,288	45
Custodial fee revenue	31,723	15,805	15,918	101	98,569	49,839	48,730	98
Other subscription and services revenue ⁽¹⁾	58,712	29,289	29,423	100	191,958	85,441	106,517	125
Total subscription and services revenue	<u>\$ 556,093</u>	<u>\$ 334,429</u>	<u>\$ 221,664</u>	66	<u>\$ 1,666,069</u>	<u>\$ 1,031,516</u>	<u>\$ 634,553</u>	62

(1) Prior period amounts were reclassified to conform to current period presentation. See Note 5. Revenue of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details.

Subscription and services revenue increased for the three and nine months ended September 30, 2024 as compared to 2023, due to:

- an increase in stablecoin revenue of \$40.2 million and \$116.3 million primarily due to higher on-platform USDC balances. Additionally, for the three months ended comparative period, we saw growth of \$54.7 million attributable to an increase in overall USDC market capitalization, while for the nine months ended comparative period, we saw growth of \$61.8 million due to higher average interest rates, which rose 50 basis points, despite the Federal Funds Rate decrease in September 2024;
- an increase of \$82.7 million and \$256.3 million in blockchain rewards due to higher average prices for Ethereum and Solana, and an increase due to higher native units staked, partially offset by lower reward rates;
- an increase in interest and finance fee income for the nine months ended comparative period primarily reflecting growth of \$30.9 million in finance fees driven by higher average Prime Financing loan receivable balances, and growth of \$12.9 million attributable to higher average customer custodial cash balances;
- an increase in custodial fee revenue primarily due to growth in average crypto assets held under custody of \$62.4 billion and \$72.6 billion as a result of higher crypto asset prices, mainly Bitcoin, Solana, and Ethereum; and
- an increase in other subscription and services revenue, largely due to growth of \$20.3 million and \$57.8 million in Coinbase One revenue, as the number of paid subscribers grew driven by positive market conditions and improvements to our product offerings. In addition, for the nine months ended comparative period, we saw an increase in revenue from developer products driven largely by higher average crypto asset prices.

Other revenue

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Corporate interest and other income	\$ 76,596	\$ 51,144	\$ 25,452	50	\$ 196,175	\$ 132,686	\$ 63,489	48
Total other revenue	<u>\$ 76,596</u>	<u>\$ 51,144</u>	<u>\$ 25,452</u>	50	<u>\$ 196,175</u>	<u>\$ 132,686</u>	<u>\$ 63,489</u>	48

Other revenue increased for the three and nine months ended September 30, 2024 as compared to 2023, primarily reflecting an increase of \$22.8 million and \$40.4 million due to higher average corporate balances. Additionally, for the nine months ended comparative period, we saw higher average earned interest rates on corporate balances, which rose 62 basis points, despite the Federal Funds Rate decrease in September 2024.

Operating expenses

Certain prior period amounts have been reclassified to conform with the current period presentation.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Transaction expense	\$ 171,781	\$ 90,577	\$ 81,204	90	\$ 580,665	\$ 295,146	\$ 285,519	97
Technology and development	377,440	322,756	54,684	17	1,099,561	1,001,454	98,107	10
Sales and marketing	164,770	78,178	86,592	111	428,617	226,007	202,610	90
General and administrative	330,387	252,630	77,757	31	937,738	760,379	177,359	23
Gains on crypto assets held for operations, net	(142)	—	(142)	100	(55,484)	—	(55,484)	100
Crypto asset impairment, net	—	7,180	(7,180)	(100)	—	17,089	(17,089)	(100)
Restructuring	—	(860)	860	(100)	—	142,594	(142,594)	(100)
Other operating (income) expense, net	(8,556)	3,512	(12,068)	(344)	28,203	(10,806)	39,009	361
Total operating expenses	<u>\$ 1,035,680</u>	<u>\$ 753,973</u>	<u>\$ 281,707</u>	<u>37</u>	<u>\$ 3,019,300</u>	<u>\$ 2,431,863</u>	<u>\$ 587,437</u>	<u>24</u>

In order to achieve our goal of positive Adjusted EBITDA for the remainder of 2024, we are committed to being adaptable and responsive to overall macro market conditions and revenue opportunities. We plan to dynamically adjust our expense base, increasing or decreasing it as needed, especially with respect to certain variable expenses. In the fourth quarter of 2024, we expect technology and development and general and administrative expenses to be roughly in line with those of the third quarter. Additionally, we expect sales and marketing expenses to grow, as compared to the third quarter of 2024, primarily due to expected higher USDC rewards expense and brand spend.

Transaction expense

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Blockchain rewards fees	\$ 107,576	\$ 51,661	\$ 55,915	108	\$ 327,430	\$ 164,492	\$ 162,938	99
Payment processing and account verification	29,818	17,631	12,187	69	101,390	61,004	40,386	66
Transaction reversal losses	11,388	10,861	527	5	35,790	36,621	(831)	(2)
Miner fees	1,805	5,687	(3,882)	(68)	51,093	25,378	25,715	101
Other	21,194	4,737	16,457	347	64,962	7,651	57,311	749
Total transaction expense	<u>\$ 171,781</u>	<u>\$ 90,577</u>	<u>\$ 81,204</u>	<u>90</u>	<u>\$ 580,665</u>	<u>\$ 295,146</u>	<u>\$ 285,519</u>	<u>97</u>

Transaction expense increased for the three and nine months ended September 30, 2024 as compared to 2023 primarily due to higher blockchain rewards fees, which rose generally in line with blockchain rewards revenue. For the nine months ended comparative period, transaction expense also increased due to:

- an increase in payment processing fees of \$29.6 million, which reflect Trading Volume growth of 131%, offset in part by savings from reduced fees at higher volumes and our cost optimization efforts; and
- an increase in other largely driven by higher transaction rebates earned by international institutional customers as we work to create liquidity in our international exchange.

There were no material changes to note within transaction reversal losses and miner fees.

Technology and development

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	<i>(in thousands)</i>				<i>(in thousands)</i>			
Personnel-related	\$ 271,272	\$ 240,929	\$ 30,343	13	\$ 790,475	\$ 714,518	\$ 75,957	11
Website hosting and infrastructure	60,600	40,668	19,932	49	167,097	142,789	24,308	17
Amortization	25,562	24,857	705	3	78,823	88,611	(9,788)	(11)
Other	20,006	16,302	3,704	23	63,166	55,536	7,630	14
Total technology and development	<u>\$ 377,440</u>	<u>\$ 322,756</u>	<u>\$ 54,684</u>	<u>17</u>	<u>\$ 1,099,561</u>	<u>\$ 1,001,454</u>	<u>\$ 98,107</u>	<u>10</u>

Technology and development expenses increased for the three and nine months ended September 30, 2024 as compared to 2023, due to:

- an increase in personnel-related expenses primarily reflecting higher stock-based compensation expense of \$28.0 million and \$82.0 million as a result of the 2023 annual employee equity awards being granted at a lower stock price as compared to the 2024 annual employee equity awards, offset in part by the roll-off of non-recurring multi-year stock-based compensation awards. Further, personnel-related expenses increased \$12.5 million and \$28.4 million due to higher average headcount; and
- an increase in website hosting and infrastructure expenses driven by increased activity on our platform.

There were no material changes to note within amortization or other.

Sales and marketing

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	<i>(in thousands)</i>				<i>(in thousands)</i>			
Personnel-related	\$ 39,805	\$ 38,152	\$ 1,653	4	\$ 113,655	\$ 109,756	\$ 3,899	4
Marketing programs	48,215	23,100	25,115	109	130,881	76,815	54,066	70
USDC rewards	61,614	10,738	50,876	474	144,739	18,498	126,241	682
Other	15,136	6,188	8,948	145	39,342	20,938	18,404	88
Total sales and marketing	<u>\$ 164,770</u>	<u>\$ 78,178</u>	<u>\$ 86,592</u>	<u>111</u>	<u>\$ 428,617</u>	<u>\$ 226,007</u>	<u>\$ 202,610</u>	<u>90</u>

Sales and marketing expenses increased for the three and nine months ended September 30, 2024 as compared to 2023, due to:

- an increase in marketing program expenses due to higher digital advertising spend; and
- an increase in USDC rewards payouts of \$27.7 million and \$82.1 million due to higher reward rates offered to customers in an effort to enhance customer retention and platform engagement, with the remainder primarily due to higher on-platform USDC balances.

There were no material changes to note within personnel-related or other.

General and administrative

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Personnel-related (excluding customer support) \$	137,949	\$ 134,134	\$ 3,815	3	\$ 408,066	\$ 382,851	\$ 25,215	7
Customer support	47,931	38,680	9,251	24	133,941	102,904	31,037	30
Professional services	45,467	39,800	5,667	14	126,465	112,860	13,605	12
Other	99,040	40,016	59,024	148	269,266	161,764	107,502	66
Total general and administrative	<u>\$ 330,387</u>	<u>\$ 252,630</u>	<u>\$ 77,757</u>	<u>31</u>	<u>\$ 937,738</u>	<u>\$ 760,379</u>	<u>\$ 177,359</u>	<u>23</u>

General and administrative expenses increased for the three and nine months ended September 30, 2024 as compared to 2023, due to:

- an increase in personnel-related expenses for the nine months ended comparative period largely driven by increased stock-based compensation expense as a result of the 2023 annual employee equity awards being granted at a lower stock price as compared to the 2024 annual employee equity rewards;
- an increase in customer support costs as a result of increased capacity needs. Our capacity needs typically increase in periods following higher Trading Volumes; and
- an increase in other, largely reflecting:
 - an increase of \$15.3 million and \$41.2 million in policy spend as we increased our crypto advocacy efforts;
 - an increase in legal costs of \$9.2 million and \$29.8 million due to higher spend; and
 - an increase of \$9.0 million and \$26.5 million in taxes, licenses, and fees largely due to higher indirect taxes directly associated with the growth in revenue and the application of certain indirect tax rules; offset in part by
 - lower lease costs, as we recognized a one-time lease termination fee of \$25.0 million during the nine months ended September 30, 2023 related to the closure of our San Francisco office space.

There were no material changes to note within professional services.

Gains on crypto assets held for operations, net

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Gains on crypto assets held for operations, net	\$ (142)	\$ —	\$ (142)	100	\$ (55,484)	\$ —	\$ (55,484)	100

Gains on crypto assets held for operations, net during the three and nine months ended September 30, 2024 resulted from net receipts of crypto assets for operations during a period of rising crypto asset prices.

Crypto asset impairment, net

During the three and nine months ended September 30, 2023, crypto asset impairment, net reflected a \$7.2 million gain and a \$17.1 million expense, driven by gross crypto asset impairments resulting from challenging crypto market conditions during the relevant periods, followed by expense recoveries as we sold previously impaired assets at recovered prices. Beginning January 2024, we adopted ASU 2023-08, and as a result no longer record crypto asset impairments.

Restructuring

Restructuring expense was \$142.6 million for the nine months ended September 30, 2023, driven by separation pay, stock-based compensation expense, and other personnel costs related to the workforce reduction in January 2023. Restructuring expense was immaterial for the three months ended September 30, 2023, and there were no restructuring expenses for the three and nine months ended September 30, 2024.

Other operating (income) expense, net

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Platform-related incidents	\$ —	\$ 3,778	\$ (3,778)	(100)	\$ 32,598	\$ 9,759	\$ 22,839	234
(Gains) losses on derivatives, net	(3,383)	(972)	(2,411)	248	834	(26,531)	27,365	103
Other	(5,173)	706	(5,879)	(833)	(5,229)	5,966	(11,195)	(188)
Total other operating (income) expense, net	<u>\$ (8,556)</u>	<u>\$ 3,512</u>	<u>\$ (12,068)</u>	<u>(344)</u>	<u>\$ 28,203</u>	<u>\$ (10,806)</u>	<u>\$ 39,009</u>	<u>361</u>

Changes in Other operating (income) expense, net for the nine months ended September 30, 2024 as compared to 2023, were due to:

- an increase in costs due to platform-related incidents; and
- gains on certain derivatives for the nine months ended September 30, 2023 that did not recur in 2024. See *Note 12. Derivatives* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details.

There were no material changes to note for any category of Other operating (income) expense, net for the three months ended September 30, 2024, or within the other category in the table above for the nine months ended September 30, 2024, as compared to 2023.

Interest expense

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Interest expense	\$ 20,530	\$ 20,821	\$ (291)	(1)	\$ 60,108	\$ 64,029	\$ (3,921)	(6)

There were no material changes to note within Interest expense.

Losses (gains) on crypto assets held for investment, net

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Losses (gains) on crypto assets held for investment, net	\$ 120,507	\$ —	\$ 120,507	100	\$ (210,902)	\$ —	\$ (210,902)	100

Losses (gains) on crypto assets held for investment, net during the three and nine months ended September 30, 2024 were primarily due to the remeasurement of the fair value of crypto assets held, mainly Bitcoin and Ethereum, during each period presented, where crypto asset prices decreased and increased, respectively.

Other income, net

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	(in thousands)				(in thousands)			
Losses (gains) on strategic investments, net	\$ 478	\$ (48,488)	\$ 48,966	(101)	\$ 15,141	\$ (38,330)	\$ 53,471	(140)
(Gains) losses on foreign exchange, net	(4,848)	382	(5,230)	nm	(3,518)	10,916	(14,434)	(132)
Gain on extinguishment of long-term debt, net	—	(81,591)	81,591	(100)	—	(99,446)	99,446	(100)
Other	(35,735)	(5,610)	(30,125)	537	(33,506)	(4,746)	(28,760)	606
Total other income, net	<u>\$ (40,105)</u>	<u>\$ (135,307)</u>	<u>\$ 95,202</u>	<u>(70)</u>	<u>\$ (21,883)</u>	<u>\$ (131,606)</u>	<u>\$ 109,723</u>	<u>(83)</u>

nm - not meaningful

Other income, net changed for the three and nine months ended September 30, 2024 as compared to 2023, due to:

- a decrease in gains on strategic investments, net driven by a gain of \$49.9 million resulting from an equity investment transaction with Circle US Holding, Inc. during the third quarter of 2023;
- a net gain on the repurchase of certain of our 2026 Convertible Notes and certain of our Senior Notes during 2023; and
- net gains of \$20.6 million and \$9.2 million within other on certain other financial instruments.

There were no material changes to note within (gains) losses on foreign exchange, net.

(Benefit from) provision for income taxes

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	<i>(in thousands)</i>				<i>(in thousands)</i>			

(Benefit from) provision for income taxes	\$	(6,914)	\$	36,926	\$	(43,840)	(119)	\$	157,878	\$	(31,132)	\$	189,010	607
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For the three months ended September 30, 2024 as compared to 2023, the change in (Benefit from) provision for income taxes was primarily due to tax benefits from stock-based compensation. For the nine months ended September 30, 2024 as compared to 2023, the increase in provision for income taxes was primarily due to higher pretax income, partially offset by tax benefits from stock-based compensation.

Non-GAAP Financial Measure

In addition to our results determined in accordance with GAAP, we believe Adjusted EBITDA, a non-GAAP financial performance measure, is useful information to help investors evaluate our operating performance because it: enables investors to compare this measure and component adjustments to similar information provided by peer companies and our past financial performance; provides additional company-specific adjustments for certain items that may be included in income from operations but that we do not consider to be normal, recurring, operating expenses (or income) necessary to operate our business given our operations, revenue generating activities, business strategy, industry, and regulatory environment; and provides investors with visibility to a measure management uses to evaluate our ongoing operations and for internal planning and forecasting purposes. For example:

- We believe it is useful to exclude certain non-cash expenses, such as depreciation and amortization and stock-based compensation, from Adjusted EBITDA because the amounts of such expenses can vary significantly from period to period and may not directly correlate to the underlying performance of our business operations.
- We believe it is useful to exclude certain items that we do not consider to be normal, recurring, cash operating expenses and therefore, not reflective of our ongoing business operations. For example, we exclude: (i) other (income) expense, net, as the income and expenses recognized in this line item are not part of our core operating activities and are considered non-operating activities under GAAP, (ii) gains and losses on crypto assets held for investment (post-adoption of ASU No. 2023-08) because such investments are considered long-term holdings, we do not plan on engaging in regular trading of crypto assets, and, as an operating company, our investing activities in crypto are not part of our revenue generating activities, which are based on transactions on our platform and the sales of subscriptions and services, and (iii) the impact of our restructurings in 2022 and 2023, which are not related to our normal business operations.
- We believe Adjusted EBITDA is useful to measure a company's operating performance without regard to items such as stock-based compensation expense, depreciation and amortization expense, interest expense, other (income) expense, net, restructurings, and benefit from or provision for income taxes that can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired.

Limitations of Adjusted EBITDA

We believe that Adjusted EBITDA may be helpful to investors for the reasons noted above. However, Adjusted EBITDA is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. There are a number of limitations related to Adjusted EBITDA rather than net income (loss), which is the nearest GAAP equivalent of Adjusted EBITDA. Some of these limitations are that Adjusted EBITDA excludes:

- (benefit from) provision for income taxes;
- interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us;
- depreciation and intangible assets amortization expense and, although these are non-cash expenses, the assets being depreciated and amortized may have to be replaced in the future;
- stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- net gains or losses on our crypto assets held for investment, net, after the adoption of ASU 2023-08;
- other income, net, which represents foreign exchange gains or losses, gains or losses on strategic investments, net gains on the repurchase of certain of our long-term debt and other non-operating income and expense activity;
- non-recurring lease charges, which represent a non-recurring fee and write-off related to an early lease termination;
- impairment on crypto assets still held, net, which represents impairment on crypto assets still held and is a non-cash expense, prior to the adoption of ASU 2023-08; and
- the impact of restructuring, which is not related to normal operations but impacted our results in 2023.

In addition, other companies, including companies in our industry, may calculate Adjusted EBITDA differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our disclosure of Adjusted EBITDA as a tool for comparison. A reconciliation is provided below for Adjusted EBITDA to Net income (loss), the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measure and the reconciliation of Adjusted EBITDA to Net income (loss), and not to rely on any single financial measure to evaluate our business.

Revised definition of Adjusted EBITDA

During the first quarter of 2024, we revised our definition of Adjusted EBITDA as follows and recast prior periods for comparability:

- to adjust for other income, net in total, as the entire line item represents non-operating activity, and as a majority of the activity recorded in other income, net had been included in the calculation of Adjusted EBITDA previously in separate rows while this combined presentation is more streamlined and easily reconciled to our Condensed Consolidated Statements of Operations;
- to revise our definition of Adjusted EBITDA to remove the adjustment for crypto asset borrowing costs on Prime Financing, as even though these costs are akin to interest expense on debt, we believe they represent normal, recurring, operating expenses necessary to expand and grow Prime Financing; and
- to revise our definition of Adjusted EBITDA to change what is adjusted with respect to gains and losses on crypto assets in connection with the adoption of ASU 2023-08, adjusting post-adoption

only for gains and losses on crypto assets held for investment, as they do not represent normal, recurring, operating expenses (or income) necessary to operate our business.

The following table provides a reconciliation of Net income (loss) to Adjusted EBITDA. The prior period comparative reconciliation has been updated to conform to the current period presentation (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 75,495	\$ (2,265)	\$ 1,287,890	\$ (178,566)
Adjusted to exclude the following:				
(Benefit from) provision for income taxes	(6,914)	36,926	157,878	(31,132)
Interest expense	20,530	20,821	60,108	64,029
Depreciation and amortization	30,695	31,967	94,523	110,157
Stock-based compensation	248,416	218,153	690,854	616,785
Losses (gains) on crypto assets held for investment, net (post-adoption of ASU 2023-08)	120,507	—	(210,902)	—
Other income, net ⁽¹⁾	(40,105)	(135,307)	(21,883)	(131,606)
Non-recurring lease charges	—	—	—	31,954
Impairment on crypto assets still held, net (pre-adoption of ASU 2023-08)	—	8,897	—	29,481
Restructuring	—	(860)	—	142,594
Adjusted EBITDA	<u>\$ 448,624</u>	<u>\$ 178,332</u>	<u>\$ 2,058,468</u>	<u>\$ 653,696</u>
Revised definition no longer adjusts for:				
Crypto asset borrowing costs		\$ 706		\$ 3,445
Other impairment expense		1,956		10,069
Revised definition newly adjusts for:				
Additional other income, net ⁽²⁾		(50)		(8,662)
Adjusted EBITDA, previous definition		<u>\$ 180,944</u>		<u>\$ 658,548</u>

(1) See *Results of Operations—Comparison of the three and nine months ended September 30, 2024 and 2023—Other income, net* for additional details.

(2) Represents the portion of Other income, net that was not previously included as an adjustment to arrive at Adjusted EBITDA.

Liquidity and Capital Resources

There have been no material changes to our liquidity and capital resources from those presented in our Annual Report on Form 10-K for the year ended December 31, 2023, other than those described below.

We continue to believe our existing cash and cash equivalents and USDC will be sufficient in both the short and long term to meet our requirements and plans for cash, including meeting our working capital and capital expenditure requirements. Our ability to meet our requirements and plans for cash, including meeting our working capital and capital expenditure requirements, will depend on many factors, including market acceptance of crypto assets and blockchain technology, our growth, our ability to attract and retain customers on our platform, the continuing market acceptance of our products and services, the introduction of new subscription products and services on our platform, expansion of sales and marketing activities, and overall economic conditions. We anticipate satisfying our short-term cash requirements with our existing cash and cash equivalents and USDC and with future cash flows from operations and may satisfy our long-term cash requirements additionally with proceeds from a future equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of additional debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations.

Primary resources and commitments

Cash and cash equivalents, restricted cash and cash equivalents, and USDC

As of September 30, 2024 and December 31, 2023, our cash and cash equivalents, restricted cash and cash equivalents, and USDC balances consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Cash and cash equivalents		
Cash equivalents ⁽¹⁾	\$ 6,087,747	\$ 3,682,917
Cash held at banks	1,544,051	1,367,643
Cash held at venues	92,008	88,791
Total cash and cash equivalents	<u>\$ 7,723,806</u>	<u>\$ 5,139,351</u>
Restricted cash and cash equivalents ⁽²⁾	\$ 31,881	\$ 22,992
USDC⁽³⁾		
USDC loaned ⁽⁴⁾	\$ 122,020	\$ 205,645
USDC pledged as collateral ⁽⁴⁾	241,145	29,577
USDC not loaned or pledged	508,260	340,806
Total USDC	<u>\$ 871,425</u>	<u>\$ 576,028</u>

(1) Cash equivalents consists of money market funds and government bonds.

(2) Restricted cash and cash equivalents consists of money market funds and amounts held at banks and venues.

(3) USDC is a stablecoin redeemable on a one-to-one basis for U.S. dollars. While not accounted for as cash or cash equivalents, we treat our USDC holdings as a liquidity resource.

(4) USDC loaned represents loaned assets that do not meet the criteria for derecognition in our Condensed Consolidated Balance Sheets. USDC pledged as collateral represents assets pledged as collateral that do not meet derecognition criteria against our crypto asset borrowings in our Condensed Consolidated Balance Sheets. See *Note 6. Collateralized Arrangements and Financing* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details.

Debt

On March 18, 2024, we issued \$1.3 billion in aggregate principal amount of convertible senior notes that mature on April 1, 2030 ("2030 Convertible Notes"), unless converted, redeemed or repurchased on an earlier date. As of September 30, 2024, we held \$4.3 billion in aggregate principal amount of debt. See *Note 11. Long-Term Debt* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details, including maturities.

As market conditions warrant, we may, from time to time, repurchase our outstanding debt securities in the open market, in privately negotiated transactions, by exchange transaction or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity and other factors and may be commenced or suspended at any time. The amounts involved and total consideration paid may be material.

Other resources and commitments

Crypto assets

The Company holds crypto assets for investment and operating purposes, as well as borrowed crypto assets and crypto assets held as collateral. Effective January 1, 2024, we adopted ASU 2023-08 using a modified retrospective approach and recognized an associated fair value adjustment of \$739.5 million on the crypto assets we held at that time. This adjustment caused the carrying values of the crypto assets we already held at the time to reflect their fair values and as such, this adjustment does not represent additional capital resources generated during the first quarter of 2024.

Crypto assets held for investment, net

We view our crypto asset investments as long-term holdings and we do not plan to engage in regular trading of crypto assets. Our future earnings and cash flows will be impacted when we choose to monetize our crypto assets held for investment, varying based on the future fair value of such crypto assets.

Crypto assets held for operations, net

We primarily receive crypto assets held for operations as payments for transaction revenue, blockchain rewards, custodial fee revenue, and other subscriptions and services revenue. Our intent is to convert crypto assets received as a form of payment to cash nearly immediately or use these crypto assets to fulfill corporate expenses. During times of instability in the crypto assets market, we may not be able to sell our crypto assets at reasonable prices or at all. As a result, our crypto assets held for operations are considered less liquid than our cash and cash equivalents and may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents.

Crypto assets borrowed and borrowings

We borrow crypto assets from eligible institutional customers. These borrowings generally have open-ended terms or have a term of less than one year. We are required to maintain a collateral to loan ratio per our borrowing agreements. Any significant change in crypto asset prices could impact the value of the crypto assets borrowed or the value of crypto assets pledged as collateral. If crypto asset prices rise, we will post additional collateral to maintain required collateral loan ratios. We were in compliance with all collateral requirements as of September 30, 2024. See *Note 6. Collateralized Arrangements and Financing* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for additional details relating to crypto assets borrowed and borrowings.

Crypto assets held as collateral

Crypto assets held as collateral represent institutional customers' crypto assets pledged as collateral on Prime Financing loans, to which we have control, contractual rights to sell, pledge, or rehypothecate, and which do not fall under the non-cash collateral provision of ASC 860. As Prime Financing grows, we will continue to evaluate how to best utilize these resources to help fund the growth of this business.

Customer assets and liabilities

Customer assets comprise customer custodial funds and safeguarding customer crypto assets, and the associated liabilities represent our obligation to safeguard and return these assets to the customers. See *Note 9. Customer Assets and Liabilities* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details. Our business model does not expose us to liquidity risk if we have excessive redemptions or withdrawals from customers. We do not use customer crypto assets as collateral for any loan, margin, rehypothecation, or other similar activities without their consent to which we or our affiliates are a party. As of September 30, 2024, we have not experienced excessive redemptions or withdrawals, or prolonged suspended redemptions or withdrawals, of crypto assets to date. See *Risk Factors—Depositing and withdrawing crypto assets into and from our platform involves risks, which could result in loss of customer assets, customer disputes and other liabilities, which could adversely impact our business* included in Part II, Item 1A of this Quarterly Report on Form 10-Q for further information.

Cash requirements and contractual obligations

There have been no material changes in our cash requirements and contractual obligations since those presented in our Annual Report on Form 10-K for the year ended December 31, 2023, other than the issuance of additional long-term debt noted above. In addition to these Form 10-K disclosures, see

Notes 10. Other Condensed Consolidated Balance Sheets Details, 11. Long-Term Debt, 16. Income Taxes, and 18. Commitments and Contingencies of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for additional details relating to our short- and long-term material cash requirements and contractual obligations as of September 30, 2024.

In October 2024, our board of directors authorized a share repurchase program of up to \$1.0 billion of the Company's Class A common stock without expiration (the "Share Repurchase Program"). Repurchases may be made at management's discretion from time to time on the open market (including through trading plans intended to qualify under Rule 10b5-1 under the Exchange Act), through privately negotiated transactions, or by other methods in accordance with applicable securities laws and other restrictions. The timing and amount of any repurchases will depend on market conditions and other considerations. The Share Repurchase Program does not obligate us to repurchase any dollar amount or number of shares of our Class A common stock, and the program may be modified, suspended, or discontinued at any time. We anticipate that repurchases under the Share Repurchase Program will be funded using our existing cash and cash equivalents and USDC and with future cash flows from operations.

Cash flows

The following table summarizes our Condensed Consolidated Statements of Cash Flows (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Net cash provided by operating activities	\$ 1,592,226	\$ 928,137
Net cash used in investing activities	(232,969)	(85,117)
Net cash provided by (used in) financing activities	682,663	(1,734,128)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	\$ 2,041,920	\$ (891,108)
Effect of exchange rates on cash, cash equivalents, and restricted cash and cash equivalents	\$ 19,664	\$ (27,353)
Change in customer custodial cash	\$ (531,760)	\$ (1,594,685)

Operating activities

Our largest source of cash provided by operations are revenues generated from transaction fees and services. Our primary uses of cash from operating activities include payments to employees for compensation, blockchain rewards fees, payments for website hosting and infrastructure services, professional services, and outsourced customer and support costs.

Net cash provided by operating activities increased by \$664.1 million for the nine months ended September 30, 2024 as compared to 2023 primarily due to:

- an increase in cash as a result of the \$2.1 billion increase in total revenue; offset in part by
- a \$758.8 million increase in cash used to purchase USDC in order to facilitate growth in Prime Financing as well as to provide liquidity towards normal business operations;
- a \$115.2 million increase in cash used for annual employee performance compensation given our strong financial performance during the prior year;
- a \$93.4 million increase in cash used to pay income taxes;
- a \$91.6 million increase in marketing program expenses due to higher digital advertising spend; and
- an overall increase in other cash expenses as we continue to grow our business.

Investing activities

Net cash used in investing activities increased by \$147.9 million for the nine months ended September 30, 2024 as compared to 2023 due to:

- an increase of \$89.2 million in cash used for the origination of fiat loans, net of repayments, reflecting growth in Prime Financing; and
- \$34.1 million in cash provided for net sales of crypto assets held for investment for the nine months ended September 30, 2024, as compared to \$114.2 million in cash provided for net sales of crypto assets held for the nine months ended September 30, 2023.

Financing activities

Net cash provided by financing activities increased by \$2.4 billion for the nine months ended September 30, 2024 as compared to 2023 primarily due to:

- a \$1.1 billion increase in cash due to proceeds from the issuance of our 2030 Convertible Notes, net of cash paid for associated capped calls;
- a \$798.9 million increase in customer custodial cash attributable to increased Trading Volume; and
- a \$114.5 million net increase of recognized fiat collateral pledged by institutional customers related to Prime Financing loans.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with GAAP. In preparing our Condensed Consolidated Financial Statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, stockholders' equity, revenue, expenses, and related disclosures. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because of the uncertainty inherent in these matters, actual results may differ from these estimates and could differ based upon other assumptions or conditions.

There have been no material changes to our critical accounting estimates as compared to the critical accounting estimates disclosed in our Annual Report on Form 10-K which was filed with the Securities and Exchange Commission (the "SEC") on February 15, 2024.

Recent accounting pronouncements

See Note 2. *Summary of Significant Accounting Policies* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion about new accounting pronouncements adopted and not yet adopted as of the date of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk to our Financial Statements associated with the effect of changes in market factors, including risks associated with interest rates, foreign currency, derivatives, equity investments, and crypto assets. These assets, liabilities, and equities are held for purposes other than trading. There have been no material changes to our market risk exposures from the information presented in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the year ended December 31, 2023, except as described below.

Market Risk of Crypto Assets

We generate a large portion of our total revenue from transaction fees on our platform in connection with the purchase, sale, and trading of crypto assets by our customers. Transaction revenue is based on transaction fees that are either a flat fee or a percentage of the value of each transaction and may vary depending on payment type and the value of the transaction. We also generate a large portion of our total revenue from our subscription products and services, and such revenue has grown over time. Accordingly, crypto asset price risk could adversely affect our operating results. In particular, our future profitability may depend upon the market price of Bitcoin and Ethereum, as well as other crypto assets. Crypto asset prices, along with our operating results, have fluctuated significantly from quarter to quarter. There is no assurance that crypto asset prices will reflect historical trends. A decline in the market price of Bitcoin, Ethereum, and other crypto assets has had and could in the future have an adverse effect on our earnings, the carrying value of our crypto assets, and our future cash flows. This may also affect our liquidity and our ability to meet our ongoing obligations.

In addition to the exposures described above, we hold crypto assets for various reasons. As of September 30, 2024, we held the following crypto assets: \$1.3 billion held for investment; \$252.9 million that were borrowed; \$98.3 million held for operations; and none held as collateral.

See *Note 2. Summary of Significant Accounting Policies* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion of these different categories of assets. Beginning on January 1, 2024, as a result of our adoption of ASU 2023-08, we have changed how we value and present crypto assets held in our Condensed Consolidated Balance Sheets and thus there are no comparable figures to report as of December 31, 2023.

Crypto assets held for investment are primarily held long term, and historically, we have not attempted to reduce our market risk exposure associated with these crypto assets. Crypto asset prices have been volatile, as demonstrated by the one year historical volatility of Bitcoin and Ethereum of approximately 50% implied from the annualized standard deviation of daily price returns observed in the past 24 months. A hypothetical 50% increase or decrease in crypto assets prices as of September 30, 2024 and December 31, 2023 would result in a \$630.4 million and \$514.0 million impact, respectively, to the value of our Crypto assets held for investment and would have, under ASU 2023-08, been recorded as a gain or loss in our Condensed Consolidated Statements of Operations.

Our market risk exposure on all remaining categories of crypto assets that we hold is limited, either due to their short-term nature or to naturally offsetting positions. Crypto assets held for operations are received as a form of payment and are converted to cash nearly immediately or used timely to fulfill corporate expenses and therefore are subject to limited market risk. A hypothetical 10% increase or decrease in crypto asset prices as of September 30, 2024 and December 31, 2023 applied to the value of our Crypto assets held for operations would not have a material impact on our Condensed Consolidated Financial Statements. Our market risk exposure on Crypto assets borrowed and Crypto assets held as collateral is limited through naturally offsetting positions of the crypto asset borrowings and obligation to return collateral which contain embedded derivatives that are remeasured each reporting period. See —*Borrowings and related collateral derivative positions* below.

Market Risk of Derivatives

We have exposure to derivatives measured and recorded at fair value. Market risk on derivatives is the exposure created by potential fluctuations in market prices and other factors and is a function of the type of derivative product, the volume of transactions, the tenor and terms of the agreement, and the underlying volatility.

Strategic derivative positions

In certain market conditions, we may opportunistically employ derivative strategies within a disciplined risk management framework to attempt to hedge our exposure to foreign currency or crypto assets held for investment. We did not have any such positions as of September 30, 2024 or December 31, 2023.

Our remaining derivative positions, including all of those held during the periods presented, arise from our operations and reflect a strategy of largely mitigating these remaining exposures through naturally offsetting positions, regardless of whether hedge accounting is achieved. See below for a discussion of these derivatives.

Borrowings and related collateral derivative positions

Our market risk exposure on derivative crypto asset borrowings and obligations to return crypto asset collateral (when combined with their host contracts, “Gross Financing Derivatives”) is naturally offset, at least in part, by the associated non-derivative crypto assets borrowed, crypto assets held as collateral, and crypto asset loan receivables originated with borrowed assets, all of which are recorded and held at fair value. The following table summarizes our Gross Financing Derivatives and net exposures after considering the naturally offsetting non-derivative positions, related to our crypto asset borrowings and associated collateral (“Net Financing Positions”) (in thousands):

	September 30, 2024	December 31, 2023
Gross Financing Derivatives	\$ 265,259	\$ 62,980
Net Financing Positions	\$ —	\$ 73

The following table presents the impact of changes in fair value of the derivatives noted above when considered gross and net of the naturally offsetting non-derivative positions in our Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gains (losses) on Gross Financing Derivatives ⁽¹⁾	\$ 25,378	\$ (325)	\$ (56,529)	\$ 6,677
(Losses) gains on Net Financing Positions ⁽²⁾	\$ —	\$ (325)	\$ —	\$ 6,677

(1) Gains and losses on derivatives are recorded in our Condensed Consolidated Statements of Operations in the locations shown in *Note 12. Derivatives* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

(2) As of January 1, 2024, the date of our adoption of ASU 2023-08, net gains and losses after considering the associated naturally offsetting non-derivative positions are recorded in Transaction expense in the Condensed Consolidated Statements of Operations. Prior to adoption of ASU 2023-08, net gains and losses after considering the naturally offsetting non-derivative positions were recorded in Other operating (income) expense, net in the Condensed Consolidated Statements of Operations.

As of September 30, 2024 and December 31, 2023, a hypothetical 50% increase or decrease in the fair value of these derivative positions, after considering the associated naturally offsetting positions, would not have a material impact on our Condensed Consolidated Financial Statements. This hypothetical 50% is calculated as discussed above under *Market Risk of Crypto Assets*, as the fair value of these derivatives is also derived primarily from the volatility of Bitcoin and Ethereum over a similar period.

Other derivative positions

Our market risk exposure to derivatives arising from accounts receivable and payable denominated in crypto assets (when combined with their host contracts, “Other Derivatives”) represents unmitigated exposure. However, these assets and liabilities are short-term in nature. The following table summarizes these Other Derivatives exposures, on a gross basis, as the receivables and payables may be unrelated (in thousands):

	September 30, 2024	December 31, 2023
Gross Other Derivatives	\$ 46,523	\$ 65,082

The following table presents the impact of changes in fair value of the derivatives noted above in our Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gains (losses) on Gross Other Derivatives ⁽¹⁾	\$ 4,712	\$ 12,639	\$ (9,921)	\$ 13,738

(1) Gains and losses on derivatives are recorded in our Condensed Consolidated Statements of Operations in the locations shown in *Note 12. Derivatives* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

As of September 30, 2024 and December 31, 2023, a hypothetical 10% increase or decrease in the fair value of these Other Derivatives positions would not have a material impact on our Condensed Consolidated Financial Statements.

For more information on our derivatives, see *Notes 2. Summary of Significant Accounting Policies, 6. Collateralized Arrangements and Financing, 7. Accounts Receivable, Net, 10. Other Condensed Consolidated Balance Sheets Details, and 12. Derivatives* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation and supervision of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2024. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of September 30, 2024, our disclosure controls and procedures were, in design and operation, effective at a reasonable assurance level.

Changes in Internal Controls Over Financial Reporting

There were no changes to our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of material legal proceedings in which we are involved, see *Note 18. Commitments and Contingencies* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

We are not presently a party to any other legal or regulatory proceedings that in the opinion of our management, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition, or cash flows. However, we are subject to regulatory oversight by numerous state, federal, and foreign regulators and we are and we may become subject to various legal proceedings, inquiries, investigations, and demand letters that arise in the course of our business. For example, we have received investigative subpoenas and other inquiries from various state agencies and attorneys general for documents and information pertaining to our business practices and policies, customer complaints, asset launches, certain ongoing litigation, and certain transfers of crypto assets. In addition, we have received investigative subpoenas from the SEC and similar subpoenas and demand letters from various state regulators for documents and information about certain of our customer programs, operations, and intended future products, including our staking, stablecoin and yield-generating products. We intend to cooperate fully with such investigations. These examples are not exhaustive.

ITEM 1A. RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Condensed Consolidated Financial Statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. If any of the following risks occur, our business, operating results, financial condition, and future prospects could be materially and adversely affected. Many risks affect more than one category, and the risks are not in order of significance or probability of occurrence because they have been grouped by categories. The market price of our Class A common stock could decline, and you could lose part or all of your investment due to any of these risks.

The Most Material Risks Related to Our Business and Financial Position

Our operating results have and will significantly fluctuate, including due to the highly volatile nature of crypto.

Our operating results are dependent on crypto assets and the broader cryptoeconomy. Due to the highly volatile nature of the cryptoeconomy and the prices of crypto assets, which have experienced and continue to experience significant volatility, our operating results have, and will continue to, fluctuate significantly from quarter to quarter in accordance with market sentiments and movements in the broader cryptoeconomy. Our operating results will continue to fluctuate significantly as a result of a variety of factors, many of which are unpredictable and in certain instances are outside of our control, including:

- our dependence on offerings that are dependent on crypto asset trading activity, including trading volume and the prevailing trading prices for crypto assets, whose trading prices and volume can be highly volatile;
- our ability to attract, maintain, and grow our customer base and engage our customers;
- changes in the legislative or regulatory environment, or actions by U.S. or foreign governments or regulators, including fines, orders, or consent decrees;
- regulatory changes or scrutiny that impact our ability to offer certain products or services;
- our ability to continue to diversify and grow our subscription and services revenue;
- our mix of revenue between transaction and subscription and services;
- pricing for or temporary suspensions of our products and services;
- investments we make in the development of products and services as well as technology offered to our developers, international expansion, and sales and marketing;
- adding crypto assets to, or removing from, our platform;
- our ability to establish and maintain partnerships, collaborations, joint ventures, or strategic alliances with third parties;
- market conditions of, and overall sentiment towards, the cryptoeconomy;
- macroeconomic conditions, including interest rates, inflation and instability in the global banking system;
- adverse legal proceedings or regulatory enforcement actions, judgments, settlements, or other legal proceeding and enforcement-related costs;
- the development and introduction of existing and new products and services by us or our competitors;
- our ability to control costs, including our operating expenses incurred to grow and expand our operations and to remain competitive;
- system failure, outages or interruptions, including with respect to our crypto platform and third-party crypto networks;
- our lack of control over decentralized or third-party blockchains and networks that may experience downtime, cyber-attacks, critical failures, errors, bugs, corrupted files, data losses, or other similar software failures, outages, breaches and losses;
- breaches of security or privacy;
- inaccessibility of our platform due to our or third-party actions;
- our ability to attract and retain talent; and
- our ability to compete with our competitors.

As a result of these factors, it is difficult for us to forecast growth trends accurately and our business and future prospects are difficult to evaluate, particularly in the short term. In particular, our subscription and services revenue has grown over time, with stablecoin revenue received in connection with USDC becoming a more meaningful revenue contributor. Therefore, our operating results could fluctuate significantly as a result of changes in the demand for our subscription and service offerings, in the demand for USDC, in the balance of USDC on our platform, in interest rates, and to our ongoing relationships with third parties, such as the issuer of USDC.

In view of the rapidly evolving nature of our business and the cryptoeconomy, period-to-period comparisons of our operating results may not be meaningful, and you should not rely upon them as an indication of future performance. Quarterly and annual expenses reflected in our financial statements may be significantly different from historical or projected rates. Our operating results in one or more future quarters may fall below the expectations of securities analysts and investors. As a result, the trading price of our Class A common stock may increase or decrease significantly.

Our total revenue is substantially dependent on the prices of crypto assets and volume of transactions conducted on our platform. If such price or volume declines, our business, operating results, and financial condition would be adversely affected and the price of our Class A common stock could decline.

We generate a large portion of our total revenue from transaction fees on our platform in connection with the purchase, sale, and trading of crypto assets by our customers. Transaction revenue is based on transaction fees that are either a flat fee or a percentage of the value of each transaction. For our consumer trading product, we also charge a spread to ensure that we are able to settle purchases and sales at the price we quote to customers. We also generate a large portion of total revenue from our subscription and services, and such revenue has grown over time, primarily due to stablecoin revenue growth in connection with USDC. Declines in the volume of crypto asset transactions, the price of crypto assets, or market liquidity for crypto assets generally may result in lower total revenue to us.

The price of crypto assets and associated demand for buying, selling, and trading crypto assets have historically been subject to significant volatility. For instance, in 2017, the value of certain crypto assets, including Bitcoin, experienced steep increases in value, and our customer base expanded worldwide. The increases in value of certain crypto assets, including Bitcoin, from 2016 to 2017, and then again in 2021, were followed by a steep decline in 2018 and again in 2022, which adversely affected our net revenue and operating results. While the value of crypto assets, including Bitcoin, have recovered during recent quarters, if the value of crypto assets and transaction volume decline in the future, our ability to generate revenue may suffer and customer demand for our products and services may decline, which could adversely affect our business, operating results and financial condition and cause the price of our Class A common stock to decline. The price and trading volume of any crypto asset is subject to significant uncertainty and volatility, depending on a number of factors, including:

- market conditions of, and overall sentiment towards, crypto assets and the cryptoeconomy, including, but not limited to, as a result of actions taken by or developments of other companies in the cryptoeconomy;
- changes in liquidity, market-making volume, and trading activities;
- trading activities on other crypto platforms worldwide, many of which may be unregulated, and may include manipulative activities;
- investment and trading activities of highly active consumer and institutional users, speculators, miners, and investors;
- the speed and rate at which crypto is able to gain adoption as a medium of exchange, utility, store of value, consumptive asset, security instrument, or other financial assets worldwide, if at all;
- decreased user and investor confidence in crypto assets and crypto platforms;

- negative publicity and events relating to the cryptoeconomy;
- unpredictable social media coverage or “trending” of, or other rumors and market speculation regarding, crypto assets;
- the ability for crypto assets to meet user and investor demands;
- the functionality and utility of crypto assets and their associated ecosystems and networks, including crypto assets designed for use in various applications;
- consumer preferences and perceived value of crypto assets and crypto asset markets;
- increased competition from other payment services or other crypto assets that exhibit better speed, security, scalability, or other characteristics;
- adverse legal proceedings or regulatory enforcement actions, judgments, or settlements impacting cryptoeconomy participants;
- regulatory or legislative changes, scrutiny and updates affecting the cryptoeconomy;
- the characterization of crypto assets under the laws of various jurisdictions around the world;
- the adoption of unfavorable taxation policies on crypto asset investments by governmental entities;
- the maintenance, troubleshooting, and development of the blockchain networks underlying crypto assets, including by miners, validators, and developers worldwide;
- the ability for crypto networks to attract and retain miners or validators to secure and confirm transactions accurately and efficiently;
- legal and regulatory changes affecting the operations of miners and validators of blockchain networks, including limitations and prohibitions on mining activities, or new legislative or regulatory requirements as a result of growing environmental concerns around the use of energy in Bitcoin and other proof-of-work mining activities;
- ongoing technological viability and security of crypto assets and their associated smart contracts, applications and networks, including vulnerabilities against hacks and scalability;
- fees and speed associated with processing crypto asset transactions, including on the underlying blockchain networks and on crypto platforms;
- financial strength of market participants;
- the availability and cost of funding and capital;
- the liquidity and credit risk of other crypto platforms;
- interruptions or temporary suspensions or other compulsory restrictions in products or services from or failures of major crypto platforms;
- availability of an active derivatives market for various crypto assets;
- availability of banking and payment services to support crypto-related projects;
- instability in the global banking system and the level of interest rates and inflation;
- monetary policies of governments, trade restrictions, and fiat currency devaluations; and
- national and international economic and political conditions.

There is no assurance that any supported crypto asset will maintain its value or that there will be meaningful levels of trading activities. In the event that the price of crypto assets or the demand for trading crypto assets decline, our business, operating results, and financial condition would be adversely affected and the price of our Class A common stock could decline.

Our net revenue may be concentrated in a limited number of areas. Within transaction revenue and subscription and services revenue, a meaningful concentration is from transactions in Bitcoin and Ethereum and stablecoin revenue in connection with USDC, respectively. If revenue from these areas declines and is not replaced by new demand for crypto assets or other products and services, our business, operating results, and financial condition could be adversely affected.

While we support a diverse portfolio of crypto assets for trading, staking and custody, our net revenue is concentrated in a limited number of areas, such as transactions in Bitcoin and Ethereum for transaction revenue and stablecoin revenue in connection with USDC for subscription and services revenue. Since 2022, we have derived a more meaningful amount of our net revenue from subscription and services revenue, primarily due to stablecoin revenue in connection with USDC, than we have historically. For the nine months ended September 30, 2024 and the year ended December 31, 2023, we derived a meaningful amount of our net revenue from transaction fees generated in connection with the purchase, sale, and trading of Bitcoin and Ethereum; these trading pairs drove approximately 49% and 54% of total Trading Volume on our platform during these periods, respectively. In addition to the factors impacting the broader cryptoeconomy described in this section, our revenue may be adversely affected if the markets for Bitcoin and Ethereum deteriorate or if their prices decline, including as a result of the following factors:

- the reduction in mining rewards of Bitcoin, including block reward halving events, which are events that occur after a specific period of time and reduces the block reward earned by miners;
- public sentiment related to the actual or perceived environmental impact of Bitcoin, Ethereum, and related activities, including environmental concerns raised by private individuals and governmental actors related to the energy resources consumed in the Bitcoin mining process;
- the migration of Ethereum to a proof-of-stake model;
- disruptions, hacks, splits in the underlying networks also known as “forks”, attacks by malicious actors who control a significant portion of the networks’ hash rate such as double spend or 51% attacks, or other similar incidents affecting the Bitcoin or Ethereum blockchain networks;
- hard “forks” resulting in the creation of and divergence into multiple separate networks, such as Bitcoin Cash and Ethereum Classic;
- informal governance led by Bitcoin and Ethereum’s core developers that lead to revisions to the underlying source code or inactions that prevent network scaling, and which evolve over time largely based on self-determined participation, which may result in new changes or updates that affect their speed, security, usability, or value;
- the ability for Bitcoin and Ethereum blockchain networks to resolve significant scaling challenges and increase the volume and speed of transactions;
- the ability to attract and retain developers and customers to use Bitcoin and Ethereum for payment, store of value, unit of accounting, and other intended uses and the absence of another supported crypto asset to attract and retain developers and customers for the same;
- transaction congestion and fees associated with processing transactions on the Bitcoin and Ethereum networks and the absence of another supported crypto asset to replace these transactions;
- the identification of Satoshi Nakamoto, the pseudonymous person or persons who developed Bitcoin, or the transfer of Satoshi’s Bitcoins;
- negative perception of Bitcoin or Ethereum;
- development in mathematics, technology, including in digital computing, algebraic geometry, and quantum computing that could result in the cryptography being used by Bitcoin and Ethereum becoming insecure or ineffective;

- adverse legal proceedings or regulatory enforcement actions, judgments, or settlements impacting cryptoeconomy participants;
- regulatory, legislative or other compulsory or informal restrictions or limitations on Bitcoin or Ethereum lending, mining or staking activities;
- liquidity and credit risk issues experienced by other crypto platforms and other participants of the cryptoeconomy; and
- laws and regulations affecting the Bitcoin and Ethereum networks or access to these networks, including a determination that either Bitcoin or Ethereum constitutes a security or other regulated financial instrument under the laws of any jurisdiction.

Moreover, our subscription and services revenue has grown over time, including stablecoin revenue received in connection with USDC. Such revenue depends on a variety of factors, including demand for our subscription and services offerings, demand for USDC, the balance of USDC on our platform, interest rates, and ongoing relationships with third parties, such as the issuer of USDC. If such factors are negatively impacted, our business, operating results and financial condition could be adversely affected.

We have in the past, and may in the future, enter into partnerships, collaborations, joint ventures, or strategic alliances with third parties. If we are unsuccessful in establishing or maintaining strategic relationships with these third parties or if these third parties fail to deliver certain operational services, our business, operating results, and financial condition could be adversely affected.

We have in the past, and may in the future, enter into partnerships, collaborations, joint ventures, or strategic alliances with third parties in connection with the development, operation and enhancements to our platform and products and the provision of our services. For example, the issuer of USDC provides us with creation and redemption services for USDC, including the operational capabilities required for our USDC customer-facing services. If the issuer of USDC fails to provide certain operational services, our ability to maintain our current level of offerings and customer experience for USDC could be harmed and interest or confidence in USDC could be impacted. Identifying strategic relationships with third parties, and negotiating and documenting relationships with them may be time-consuming and complex and may distract management. Moreover, we may be delayed, or not be successful, in achieving the objectives that we anticipate as a result of such strategic relationships. In evaluating counterparties in connection with partnerships, collaborations, joint ventures or strategic alliances, we consider a wide range of economic, legal and regulatory criteria depending on the nature of such relationship, including the counterparties' reputation, operating results and financial condition, operational ability to satisfy our and our customers' needs in a timely manner, efficiency and reliability of systems, certifications costs to us or to our customers, and licensure and compliance status. Despite this evaluation, third parties may still not meet our or our customers' needs which may adversely affect our ability to deliver products and services to customers, may adversely impact our business, operating results, and financial condition. Counterparties to any strategic relationship may have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals, and may subject us to additional risks to the extent such third party becomes the subject of negative publicity, faces its own litigation or regulatory challenges, or faces other adverse circumstances. Conflicts may arise with our strategic partners, such as the interpretation of significant terms under any agreement, which may result in litigation or arbitration which would increase our expenses and divert the attention of our management. If we are unsuccessful in establishing or maintaining strategic relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our business, operating results, and financial condition could be adversely affected.

Interest rate fluctuations could negatively impact us.

The level of prevailing short-term interest rates affects our profitability because we derive a large portion of our revenue from interest earned from funds deposited with us by our customers which we hold on their behalf in custodial accounts at banks and from stablecoin revenue, which is derived from interest earned on USDC reserve balances. Higher interest rates increase the amount of interest and finance fee

income and stablecoin revenue earned from these activities. When short-term interest rates decline, our revenue derived from interest correspondingly declines, which negatively impacts our profitability. Further, because stablecoin revenue from USDC has become an increased portion of our subscription and services revenue, if interest rates were to significantly decline from levels reached in the current interest rate environment, our net revenue could decline. Conversely, when interest rates increase, investors may choose to shift their asset allocations, which could negatively impact our stock price or the cryptoeconomy more generally.

The future development and growth of crypto is subject to a variety of factors that are difficult to predict and evaluate. If crypto does not grow as we expect, our business, operating results, and financial condition could be adversely affected.

Crypto assets built on blockchain technology were only introduced in 2008 and remain in the early stages of development. In addition, different crypto assets are designed for different purposes. Bitcoin, for instance, was designed to serve as a peer-to-peer electronic cash system, while Ethereum was designed to be a smart contract and decentralized application platform. Many other crypto networks-ranging from cloud computing to tokenized securities networks-have only recently been established. The further growth and development of any crypto assets and their underlying networks and other cryptographic and algorithmic protocols governing the creation, transfer, and usage of crypto assets represent a new and evolving paradigm that is subject to a variety of factors that are difficult to evaluate, including:

- many crypto networks have limited operating histories, have not been validated in production, and are still in the process of developing and making significant decisions that will affect the design, supply, issuance, functionality, and governance of their respective crypto assets and underlying blockchain networks, any of which could adversely affect their respective crypto assets;
- many crypto networks are in the process of implementing software upgrades and other changes to their protocols, which could introduce bugs, security risks, or adversely affect the respective crypto networks;
- several large networks, including Bitcoin and Ethereum, are developing new features to address fundamental speed, scalability, and energy usage issues. If these issues are not successfully addressed, or are unable to receive widespread adoption, it could adversely affect the underlying crypto assets;
- security issues, bugs, and software errors have been identified with many crypto assets and their underlying blockchain networks, some of which have been exploited by malicious actors. There are also inherent security weaknesses in some crypto assets, such as when creators of certain crypto networks use procedures that could allow hackers to counterfeit tokens. Any weaknesses identified with a crypto asset could adversely affect its price, security, liquidity, and adoption. If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the compute or staking power on a crypto network, as has happened in the past, it may be able to manipulate transactions, which could cause financial losses to holders, damage the network's reputation and security, and adversely affect its value;
- the development of new technologies for mining, such as improved application-specific integrated circuits (commonly referred to as ASICs), or changes in industry patterns, such as the consolidation of mining power in a small number of large mining farms, could reduce the security of blockchain networks, lead to increased liquid supply of crypto assets, and reduce a crypto's price and attractiveness;
- if rewards and transaction fees for miners or validators on any particular crypto network are not sufficiently high to attract and retain miners, a crypto network's security and speed may be adversely affected, increasing the likelihood of a malicious attack;

- many crypto assets have concentrated ownership or an “admin key”, allowing a small group of holders to have significant unilateral control and influence over key decisions related to their crypto networks, such as governance decisions and protocol changes, as well as the market price of such crypto assets;
- the governance of many decentralized blockchain networks is by voluntary consensus and open competition, and many developers are not directly compensated for their contributions. As a result, there may be a lack of consensus or clarity on the governance of any particular crypto network, a lack of incentives for developers to maintain or develop the network, and other unforeseen issues, any of which could result in unexpected or undesirable errors, bugs, or changes, or stymie such network’s utility and ability to respond to challenges and grow; and
- many crypto networks are in the early stages of developing partnerships and collaborations, all of which may not succeed and adversely affect the usability and adoption of the respective crypto assets.

Various other technical issues have also been uncovered from time to time that resulted in disabled functionalities, exposure of certain users’ personal information, theft of users’ assets, and other negative consequences, and which required resolution with the attention and efforts of their global miner, user, and development communities. If any such risks or other risks materialize, and in particular if they are not resolved, the development and growth of crypto may be significantly affected and, as a result, our business, operating results, and financial condition could be adversely affected.

Cyberattacks and security breaches of our platform, or those impacting our customers or third parties, could adversely impact our brand and reputation and our business, operating results, and financial condition.

Our business involves the collection, storage, processing, and transmission of confidential information, customer, employee, service provider, and other personal data, as well as information required to access customer assets. We have built our reputation on the premise that our platform offers customers a secure way to purchase, store, and transact in crypto assets. As a result, any actual or perceived security breach of us or our third-party partners may:

- harm our reputation and brand;
- result in our systems or services being unavailable and interrupt our operations;
- result in improper disclosure of data and violations of applicable privacy and data protection laws;
- result in significant regulatory scrutiny, investigations, fines, penalties, and other legal, regulatory, and financial exposure;
- cause us to incur significant remediation costs;
- lead to theft or irretrievable loss of our or our customers’ fiat currencies or crypto assets;
- reduce customer confidence in, or decreased use of, our products and services;
- divert the attention of management from the operation of our business;
- result in significant compensation or contractual penalties from us to our customers or third parties as a result of losses to them or claims by them; and
- adversely affect our business and operating results.

For example, in 2021, third parties independently obtained login credentials and personal information for at least 6,000 customers and used those credentials to exploit a vulnerability that previously existed in the account recovery process. Coinbase reimbursed impacted customers approximately \$25.1 million.

Further, any actual or perceived breach or cybersecurity attack directed at other financial institutions or crypto companies, whether or not we are directly impacted, could lead to a general loss of customer confidence in the cryptoeconomy or in the use of technology to conduct financial transactions, which

could negatively impact us, including the market perception of the effectiveness of our security measures and technology infrastructure.

An increasing number of organizations, including large merchants, businesses, technology companies, and financial institutions, as well as government institutions, have disclosed breaches of their information security systems, some of which have involved sophisticated and highly targeted attacks, including on their websites, mobile applications, and infrastructure.

Attacks upon systems across a variety of industries, including the crypto industry, are increasing in their frequency, persistence, and sophistication, and, in many cases, are being conducted by sophisticated, well-funded, and organized groups and individuals, including state actors. The techniques used to obtain unauthorized, improper, or illegal access to systems and information (including customers' personal data and crypto assets), disable or degrade services, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized or detected until after they have been launched against a target. These attacks may occur on our systems or those of our third-party service providers or partners. Certain types of cyberattacks could harm us even if our systems are left undisturbed. For example, attacks may be designed to deceive employees and service providers into releasing control of our systems to a hacker, while others may aim to introduce computer viruses or malware into our systems with a view to stealing confidential or proprietary data. Additionally, certain threats are designed to remain dormant or undetectable until launched against a target and we may not be able to implement adequate preventative measures.

Although we have developed systems and processes designed to protect the data we manage, prevent data loss and other security breaches, effectively respond to known and potential risks, and expect to continue to expend significant resources to bolster these protections, there can be no assurance that these security measures will provide absolute security or prevent breaches or attacks. We have experienced from time to time, and may experience in the future, breaches of our security measures due to human error, malfeasance, insider threats, system errors or vulnerabilities, or other irregularities. Unauthorized parties have attempted, and we expect that they will continue to attempt, to gain access to our systems and facilities, as well as those of our customers, partners, and third-party service providers, through various means, including hacking, social engineering, phishing, and attempting to fraudulently induce individuals (including employees, service providers, and our customers) into disclosing usernames, passwords, payment card information, or other sensitive information, which may in turn be used to access our information technology systems and customers' crypto assets. Threats can come from a variety of sources, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, and insiders. Certain threat actors may be supported by significant financial and technological resources, making them even more sophisticated and difficult to detect. We may also acquire other companies that expose us to unexpected security risks or increase costs to improve the security posture of the acquired company. Further, there has been an increase in such threat actor activities as a result of the increased prevalence of hybrid and remote working arrangements in recent years. As a result, our costs and the resources we devote to protecting against these advanced threats and their consequences may continue to increase over time.

Although we maintain insurance coverage, it may be insufficient to protect us against all losses and costs stemming from security breaches, cyberattacks, and other types of unlawful activity, or any resulting disruptions or data theft and loss from such events. Outages and disruptions of our platform, including any caused by cyberattacks, may harm our reputation and our business, operating results, and financial condition.

We are subject to an extensive, highly-evolving and uncertain regulatory landscape and any adverse changes to, or our failure to comply with, any laws and regulations could adversely affect our brand, reputation, business, operating results, and financial condition.

Our business is subject to extensive laws, rules, regulations, policies, orders, determinations, directives, treaties, and legal and regulatory interpretations and guidance in the markets in which we

operate, including those governing financial services and banking, federal government contractors, trust companies, securities, derivative transactions and markets, broker-dealers and alternative trading systems (“ATS”), commodities, credit, crypto asset custody, exchange, and transfer, cross-border and domestic money and crypto asset transmission, commercial lending, usury, foreign currency exchange, privacy, data governance, data protection, cybersecurity, fraud detection, payment services (including payment processing and settlement services), consumer protection, escheatment, antitrust and competition, bankruptcy, tax, anti-bribery, economic and trade sanctions, anti-money laundering, and counter-terrorist financing. Many of these legal and regulatory regimes were adopted prior to the advent of the internet, mobile technologies, crypto assets, generative artificial intelligence (“AI”) and related technologies. As a result, some applicable laws and regulations do not contemplate or address unique issues associated with the cryptoeconomy, are subject to significant uncertainty, and vary widely across U.S. federal, state, and local and international jurisdictions. These legal and regulatory regimes, including the laws, rules, and regulations thereunder, evolve frequently and may be modified, interpreted, and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the complexity and evolving nature of our business and the significant uncertainty surrounding the regulation of the cryptoeconomy requires us to exercise our judgment as to whether certain laws, rules, and regulations apply to us, and it is possible that governmental bodies and regulators may disagree with our conclusions. To the extent we have not complied with such laws, rules, and regulations, we could be subject to significant fines, revocation of licenses, limitations on or temporary or permanent suspensions of our products and services, reputational harm, and other regulatory consequences, each of which may be significant and could adversely affect our business, operating results, and financial condition.

Additionally, various governmental and regulatory bodies, including legislative and executive bodies, in the United States and in other countries may adopt new laws and regulations, the direction and timing of which may be influenced by changes in the governing administrations and major events in the cryptoeconomy. For example, following the failure of several prominent crypto trading venues and lending platforms, such as FTX, Celsius Networks, Voyager and Three Arrows Capital in 2022 (the “2022 Events”), the U.S. Congress expressed the need for both greater federal oversight of the cryptoeconomy and comprehensive cryptocurrency legislation.

Presently, and in the future, various governmental and regulatory bodies, including in the United States, may introduce new policies, laws, and regulations relating to crypto assets and the cryptoeconomy generally, and crypto asset platforms in particular. Other companies’ failures of risk management and other control functions that played a role in the 2022 Events could accelerate an existing regulatory trend toward stricter oversight of crypto asset platforms and the cryptoeconomy. Furthermore, new interpretations of existing laws and regulations may be issued by such bodies or the judiciary, which may adversely impact the development of the cryptoeconomy as a whole and our legal and regulatory status in particular by changing how we operate our business, how our products and services are regulated, and what products or services we and our competitors can offer, requiring changes to our compliance and risk mitigation measures, imposing new licensing requirements, or imposing a total ban on certain crypto asset transactions, as has occurred in certain jurisdictions in the past. For example, in April 2023, the SEC reopened a comment period for amendments to Rule 3b-16 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that could subject several cryptoeconomy participants and systems to registration or other operational compliance requirements under the Exchange Act. If the SEC’s proposed amendment is adopted in its current form, we, along with other cryptoeconomy participants, could face significant additional uncertainty and risk of increased operational costs. In November 2023, the New York Department of Financial Services (“NYDFS”) adopted guidance regarding the policies and procedures required for virtual currency business entities licensed in New York, such as Coinbase, Inc. This guidance and other applicable state law guidance regarding virtual currency business activity could result in changes to our business in such states as well as the risk of increased operational costs and the risk of enforcement actions. If we are unable to comply with any new requirements, our ability to offer our products and services in their current form may be adversely affected. Additionally, under recommendations from the Financial Crimes Enforcement Network

("FinCEN"), and the Financial Action Task Force ("FATF"), the United States and several foreign jurisdictions have or are likely to impose the Funds Travel Rule and the Funds Transfer Rule (commonly referred to collectively as the Travel Rule) on financial service providers in the cryptoeconomy. We may face substantial costs to operationalize and comply with the Travel Rule and may be further subject to administrative sanctions for technical violations or customer attrition if the user experience suffers as a result. In October 2023, FinCEN released a proposed rule that identifies virtual currency "mixing" as a class of transactions of primary money laundering concern and imposes heightened recordkeeping and reporting obligations for financial institutions with respect to those transactions. There are substantial uncertainties regarding the scope of these requirements in practice, and we may face substantial costs to operationalize and comply with these rules.

Moreover, we offer and may in the future offer products and services whose functionality or value depends in part on our management of token transaction smart contracts, liquid staking, asset tracking, or other applications that provide novel forms of customer engagement and interaction delivered via blockchain protocols. We may also offer products and services whose functionality or value depends on our ability to develop, integrate, or otherwise interact with such applications within the bounds of our legal and compliance obligations. The legal and regulatory landscape for such products, including the law governing the rights and obligations between and among smart contract developers and users and the extent to which such relationships entail regulated activity is uncertain and rapidly evolving. Our interaction with those applications, and the interaction of other blockchain users with any smart contracts or assets we may generate or control, could present legal, operational, reputational, and regulatory risks for our business.

We may be further subject to administrative sanctions for technical violations or customer attrition if the user experience suffers as a result. As another example, the extension of anti-money laundering requirements to certain crypto-related activities by the European Union's Fifth Money Laundering Directive, as updated by the European Union's Sixth Money Laundering Directive, has increased the regulatory compliance burden for our business in Europe and, as a result of the fragmented approach to the implementation of its provisions, resulted in distinct and divergent national licensing and registration regimes for us in different E.U. member states. Further E.U.-level legislation imposing additional regulatory requirements in relation to crypto-related activities is also expected in the near term, such as with the effectiveness of the Markets in Crypto-Assets Regulation ("MiCA"). Among other provisions, MiCA introduces a comprehensive authorization and compliance regime for crypto asset service providers and a disclosure regime for the issuers of certain crypto assets, which is expected to impact our operations in the European Union.

Because we have offered and will continue to offer a variety of innovative products and services to our customers, many of our offerings are subject to significant regulatory uncertainty and we from time to time face regulatory inquiries regarding our current and planned products. For instance, we are a reseller of USDC, a stablecoin redeemable on a one-to-one basis for U.S. dollars. The regulatory treatment of fiat-backed stablecoins is highly uncertain and has drawn significant attention from legislative and regulatory bodies around the world. The issuance and resale of such stablecoins may implicate a variety of banking, deposit, money transmission, prepaid access and stored value, anti-money laundering, commodities, securities, sanctions, and other laws and regulations in the United States and in other jurisdictions. Moreover, in October 2021, the President's Working Group on Financial Markets, the Federal Deposit Insurance Corporation ("FDIC"), and the Office of the Comptroller of the Currency, issued a joint report that recommended legislation that would subject stablecoin issuers and wallet providers to increased federal oversight. There are substantial uncertainties on how these requirements would apply in practice, and we may face substantial compliance costs to operationalize and comply with these rules. Certain products and services offered by us that we believe are not subject to regulatory oversight, or are only subject to certain regulatory regimes, such as Coinbase Wallet, a standalone mobile application that allows customers to manage their own private keys and store their crypto assets directly on their mobile devices, may cause us to be deemed to be engaged in a form of regulated activity for which licensure is required or cause us to become subject to new and additional forms of regulatory oversight. We also offer

various staking, rewards, and lending products, all of which are subject to significant regulatory uncertainty, and could implicate a variety of laws and regulations worldwide. For example, there is regulatory uncertainty regarding the status of our staking, lending, rewards, and other yield-generating activities under the U.S. federal and state securities laws. While we have implemented policies and procedures, including geofencing for certain products and services, designed to help monitor for and ensure compliance with existing and new laws and regulations, there can be no assurance that we and our employees, contractors, and agents will not violate or otherwise fail to comply with such laws and regulations. To the extent that we or our employees, contractors, or agents are deemed or alleged to have violated or failed to comply with any laws or regulations, including related interpretations, orders, determinations, directives, or guidance, we or they could be subject to a litany of civil, criminal, and administrative fines, penalties, orders and actions, including being required to suspend or terminate the offering of certain products and services. Moreover, to the extent our customers nevertheless access our platform, products or services outside of jurisdictions where we have obtained required governmental licenses and authorization, we could similarly be subject to a variety of civil, criminal, and administrative fines, penalties, orders and actions as a result of such activity.

Due to our business activities, we are subject to ongoing examinations, oversight, and reviews and currently are, and expect in the future, to be subject to investigations and inquiries, by U.S. federal and state regulators and foreign financial service regulators, many of which have broad discretion to audit and examine our business. We are periodically subject to audits and examinations by these regulatory authorities. As a result of findings from these audits and examinations, regulators have, are, and may in the future require us to take certain actions, including amending, updating, or revising our compliance measures from time to time, limiting the kinds of customers that we provide services to, changing, terminating, or delaying our licenses and the introduction of our existing or new product and services, and undertaking further external audit or being subject to further regulatory scrutiny, including investigations and inquiries. We have received, and may in the future receive, examination reports citing violations of rules and regulations, inadequacies in existing compliance programs, and requiring us to enhance certain practices with respect to our compliance program, including due diligence, monitoring, training, reporting, and recordkeeping. Implementing appropriate measures to properly remediate these examination findings may require us to incur significant costs, and if we fail to properly remediate any of these examination findings, we could face civil litigation, significant fines, damage awards, forced removal of certain employees including members of our executive team, barring of certain employees from participating in our business in whole or in part, revocation of existing licenses, limitations on existing and new products and services, reputational harm, negative impact to our existing relationships with regulators, exposure to criminal liability, or other regulatory consequences. Further, we believe increasingly strict legal and regulatory requirements and additional regulatory investigations and enforcement, any of which could occur or intensify, may continue to result in changes to our business, as well as increased costs, and supervision and examination for ourselves, our agents, and service providers. For example, in June 2023, the SEC filed a complaint in the U.S. District Court for the Southern District of New York (the “District Court”) against us and Coinbase, Inc. alleging that (i) Coinbase, Inc. has acted as an unregistered securities exchange, broker, and clearing agency in violation of Sections 5, 15(a) and 17A(b) of the Exchange Act and that, through its staking program, Coinbase, Inc. has offered and sold securities without registering its offers and sales in violation of Sections 5(a) and 5(c) of the Securities Act of 1933, as amended (the “Securities Act”), and (ii) we are liable for the alleged violations as an alleged control person of Coinbase, Inc. (the “June 2023 SEC Complaint”). Moreover, new laws, regulations, or interpretations may result in additional litigation, regulatory investigations, and enforcement or other actions, including preventing or delaying us from offering certain products or services offered by our competitors or could impact how we offer such products and services. Adverse changes to, or our failure to comply with, any laws and regulations have had, and may continue to have, an adverse effect on our reputation and brand and our business, operating results, and financial condition.

We operate in a highly competitive industry and we compete against unregulated or less regulated companies and companies with greater financial and other resources, and our business, operating results, and financial condition may be adversely affected if we are unable to respond to our competitors effectively.

The cryptoeconomy is highly innovative, rapidly evolving, and characterized by healthy competition, experimentation, changing customer needs, frequent introductions of new products and services, and subject to uncertain and evolving industry and regulatory requirements. We expect competition to further intensify in the future as existing and new competitors introduce new products or enhance existing products. We compete against a number of companies operating both within the United States and abroad, and both those that focus on traditional financial services and those that focus on crypto-based services. Our main competition falls into the following categories:

- traditional financial technology and brokerage firms that have entered the crypto asset market in recent years and offer overlapping features targeted at our customers;
- companies focused on the crypto asset market, some of whom adhere to local regulations and directly compete with our platform, and others who choose to operate outside of local rules and regulations or in jurisdictions with less stringent local rules and regulations and are potentially able to more quickly adapt to trends, support a greater number of crypto assets, and develop new crypto-based products and services due to a different standard of regulatory scrutiny;
- crypto-focused companies and traditional financial incumbents that offer point or siloed solutions specifically targeted at institutional customers; and
- stablecoins, other than USDC, and fiat currencies globally.

Historically, a major source of competition has been from companies, in particular those located outside the United States, who at times are and may in the future be subject to significantly less stringent regulatory and compliance requirements in their local jurisdictions. Their business models rely on being unregulated or only regulated in a small number of lower compliance jurisdictions, whilst also offering their products in highly regulated jurisdictions, including the United States, without necessarily complying with the relevant regulatory requirements in such jurisdictions.

Given the uneven enforcement by United States and foreign regulators, many of these competitors have been able to operate from offshore while offering large numbers of products and services to consumers, including in the United States, Europe, and other highly regulated jurisdictions, without complying with the relevant licensing and other requirements in these jurisdictions, and historically without penalty. Due to our regulated status in several jurisdictions and our commitment to legal and regulatory compliance, we have not been able to offer many popular products and services, including products and services that our unregulated or less regulated competitors are able to offer to a group that includes many of our customers, which may adversely impact our business, financial condition, and results of operations.

We also have expended significant managerial, operational, and compliance costs to meet the legal and regulatory requirements applicable to us in the United States and other jurisdictions in which we operate, and expect to continue to incur significant costs to comply with these requirements, which these unregulated or less regulated competitors have not had to incur.

Additionally, due to the broad nature of our products and services, we also compete with, and expect additional competition from, digital and mobile payment companies and other traditional financial services companies.

Many innovative start-up companies and larger companies have made, and continue to make, significant investments in research and development, and we expect these companies to continue to develop similar or superior products and technologies that compete with our products. Further, more traditional financial and non-financial services businesses may choose to offer crypto-based services in the future as the industry gains adoption. Our current and potential competitors may establish cooperative relationships among themselves or with third parties that may further enhance their resources.

Our existing competitors have, and our potential competitors are expected to have, various competitive advantages over us, such as:

- the ability to trade crypto assets and offer products and services that we do not support or offer on our platform (due to constraints from regulatory authorities, our banking partners, and other factors) such as tokens that constitute securities or derivative instruments under U.S. or foreign laws;
- greater name recognition, longer operating histories, larger customer bases, and larger market shares;
- larger sales and marketing budgets and organizations;
- more established marketing, banking, and compliance relationships;
- greater customer support resources;
- greater resources to make acquisitions;
- lower labor, compliance, risk mitigation, and research and development costs;
- larger and more mature intellectual property portfolios;
- greater number of applicable licenses or similar authorizations;
- established core business models outside of the trading of crypto assets, allowing them to operate on lesser margins or at a loss;
- operations in certain jurisdictions with lower compliance costs and greater flexibility to explore new product offerings; and
- substantially greater financial, technical, and other resources.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, operating results, and financial condition could be adversely affected.

We compete against a growing number of decentralized and noncustodial platforms and our business may be adversely affected if we fail to compete effectively against them.

We also compete against an increasing number of decentralized and noncustodial platforms. On these platforms, users can interact directly with a market-making smart contract or onchain trading mechanism to exchange one type of crypto asset for another without any centralized intermediary. These platforms are typically not as easy to use as our platform, and some lack the speed and liquidity of centralized platforms, but various innovative models and incentives have been designed to bridge the gap. In addition, such platforms have low startup and entry costs as market entrants often remain unregulated and have minimal operating and regulatory costs. A significant number of decentralized platforms have recently been developed and released, including on Ethereum, Tron, Polkadot, and Solana, and many such platforms have experienced significant growth and adoption. For instance, we have seen increased interest in certain decentralized platforms with transaction volumes rivaling our own platform on multiple occasions, and expect interest in decentralized and noncustodial platforms to grow further as the industry develops. If the demand for decentralized platforms grows and we are unable to compete with these decentralized and noncustodial platforms, our business may be adversely affected.

As we continue to expand and localize our international activities, our obligations to comply with the laws, rules, regulations, and policies of a variety of jurisdictions will increase and we may be subject to inquiries, investigations, and enforcement actions by U.S. and non-U.S. regulators and governmental authorities, including those related to sanctions, export control, and anti-money laundering.

As we expand and localize our international activities, we have become increasingly obligated to comply with the laws, rules, regulations, policies, and legal interpretations of both the jurisdictions in

which we operate and those into which we offer services on a cross-border basis. For instance, financial regulators outside the United States have increased their scrutiny of crypto asset exchanges over time, such as by requiring crypto asset exchanges operating in their local jurisdictions to be regulated and licensed under local laws. Moreover, laws regulating financial services, the internet, mobile technologies, crypto, and related technologies outside of the United States are highly evolving, extensive and often impose different, more specific, or even conflicting obligations on us, as well as broader liability. In addition, we are required to comply with laws and regulations related to economic sanctions and export controls enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the U.S. Department of Commerce's Bureau of Industry and Security, and U.S. anti-money laundering and counter-terrorist financing laws and regulations, enforced by FinCEN and certain state financial services regulators. U.S. sanctions and export control laws and regulations generally restrict dealings by persons subject to U.S. jurisdiction with certain jurisdictions that are the target of comprehensive embargoes, currently the Crimea Region, the Donetsk People's Republic, and the Luhansk People's Republic of Ukraine, Cuba, Iran, North Korea, and Syria, as well as with persons, entities, and governments identified on certain prohibited party lists. Moreover, as a result of the Russian invasion of Ukraine, the United States, the E.U., the United Kingdom, and other jurisdictions have imposed wide-ranging sanctions on Russia and Belarus and persons and entities associated with Russia and Belarus. There can be no certainty regarding whether such governments or other governments will impose additional sanctions, or other economic or military measures against Russia or Belarus. We have continued to engage in activity in Russia and Belarus and with customers associated with these countries. At the same time, we have implemented additional processes and procedures to comply with these new sanctions. However, our activity in Russia and Belarus and with these customers associated with these countries subjects us to further exposure to sanctions as they are released. We have an OFAC compliance program in place that includes monitoring of IP addresses to identify prohibited jurisdictions and of blockchain addresses that have either been identified by OFAC as prohibited or that otherwise are believed by us to be associated with prohibited persons or jurisdictions. Nonetheless, there can be no guarantee that our compliance program will prevent transactions with particular persons or addresses or prevent every potential violation of OFAC sanctions. From time to time, we have submitted voluntary disclosures to OFAC or responded to administrative subpoenas from OFAC. Certain of these voluntary self-disclosures are currently under review by OFAC. To date, none of those proceedings has resulted in a monetary penalty or finding of violation. Any present or future government inquiries relating to sanctions could result in negative consequences for us, including costs related to government investigations, financial penalties, and harm to our reputation. The impact on us related to such matters could be substantial. Although we have implemented controls, and are working to implement additional controls and screening tools designed to prevent sanctions violations, there is no guarantee that we will not inadvertently provide access to our products and services to sanctioned parties or jurisdictions in the future.

Regulators worldwide frequently study each other's approaches to the regulation of the cryptoeconomy. Consequently, developments in any jurisdiction may influence other jurisdictions. New developments in one jurisdiction may be extended to additional services and other jurisdictions. As a result, the risks created by any new law or regulation in one jurisdiction are magnified by the potential that they may be replicated, affecting our business in another place or involving another service. Conversely, if regulations diverge worldwide, we may face difficulty adjusting our products, services, and other aspects of our business with the same effect. These risks are heightened as we face increased competitive pressure from other similarly situated businesses that engage in regulatory arbitrage to avoid the compliance costs associated with regulatory changes.

The complexity of U.S. federal and state and international regulatory and enforcement regimes, coupled with the global scope of our operations and the evolving global regulatory environment, could result in a single event prompting a large number of overlapping investigations and legal and regulatory proceedings by multiple government authorities in different jurisdictions. Any of the foregoing could, individually or in the aggregate, harm our reputation, damage our brand and business, and adversely affect our operating results and financial condition. Due to the uncertain application of existing laws and regulations, it may be that, despite our regulatory and legal analysis concluding that certain products and

services are currently unregulated, such products or services may indeed be subject to financial regulation, licensing, or authorization obligations that we have not obtained or with which we have not complied. As a result, we are at a heightened risk of enforcement action, litigation, regulatory, and legal scrutiny which could lead to sanctions, cease and desist orders, or other penalties and censures which could significantly and adversely affect our continued operations and financial condition.

We are, and may continue to be, subject to material litigation, including individual and class action lawsuits, as well as investigations and enforcement actions by regulators and governmental authorities. These matters are often expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, and operating results.

We have been, currently are, and may from time to time become subject to claims, arbitrations, individual and class action lawsuits with respect to a variety of matters, including employment, consumer protection, advertising, and securities. In addition, we have been, currently are, and may from time to time become subject to, government and regulatory investigations, inquiries, actions or requests, other proceedings and enforcement actions alleging violations of laws, rules, and regulations, both foreign and domestic. For example, in January 2023, we settled a NYDFS compliance investigation for a monetary penalty of \$50.0 million and a separate commitment to make \$50.0 million in compliance program investments by the end of 2024. In June 2023, the SEC filed the June 2023 SEC Complaint, in connection with which the SEC is seeking, among other relief, injunctive relief, disgorgement, and civil money penalties, and we and Coinbase, Inc. subsequently filed an answer to the June 2023 SEC Complaint. In August 2023, we and Coinbase, Inc. also filed a motion for judgment on the pleadings. In October 2023, the SEC filed its response and we and Coinbase, Inc. filed our reply. Oral argument took place on January 17, 2024 and on March 27, 2024, the District Court denied in part and granted in part our motion for judgment on the pleadings. Subsequently, on April 12, 2024, we and Coinbase, Inc. filed a motion with the District Court seeking certification of an interlocutory appeal to the U.S. Court of Appeals for the Second Circuit (the "Court of Appeals"). The impact of the litigation relating to the June 2023 SEC Complaint, including the costs, timing, results and other potential consequences thereof, are unknown at this time. An adverse resolution of the June 2023 SEC Complaint could have a material impact on our business, operating results and financial condition. Additionally, we are currently subject to securities class actions and shareholder derivative actions. Furthermore, in June 2023, we and Coinbase, Inc. were issued notices, show-cause orders, and cease-and-desist letters, and became the subject of various legal actions initiated by U.S. state securities regulators in the states of Alabama, California, Illinois, Kentucky, Maryland, New Jersey, South Carolina, Vermont, Washington and Wisconsin alleging violations of state securities laws with respect to staking services provided by Coinbase, Inc. (the "State Staking Actions"). In July 2023, we and Coinbase, Inc. entered into agreements with state securities regulators in California, New Jersey, South Carolina and Wisconsin, pursuant to which customers in those states will no longer be able to stake new funds, in each case pending final adjudication of the matters. In October 2023, we and Coinbase, Inc. entered into a similar agreement with the Maryland state securities regulator. For a description of certain such litigation, regulatory investigations, and other proceedings, see *Note 18. Commitments and Contingencies* of the Notes to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. The scope, determination, and impact of claims, lawsuits, government and regulatory investigations, enforcement actions, disputes, and proceedings to which we are subject cannot be predicted with certainty, and may result in:

- substantial payments to satisfy judgments, fines, or penalties;
- substantial outside counsel, advisor, and consultant fees and costs;
- substantial administrative costs, including arbitration fees;
- additional compliance and licensure requirements;
- loss or non-renewal of existing licenses or authorizations, or prohibition from or delays in obtaining additional licenses or authorizations, required for our business;
- loss of productivity and high demands on employee time;
- criminal sanctions or consent decrees;

- termination of certain employees, including members of our executive team;
- barring of certain employees from participating in our business in whole or in part;
- orders that restrict our business or prevent us from offering certain products or services;
- changes to our business model and practices;
- delays to planned transactions, product launches or improvements; and
- damage to our brand and reputation.

Because of our large customer base, actions against us may claim large monetary damages, even if the alleged per-customer harm is small or non-existent. From time to time, we receive letters alleging claims on behalf of our users. Due to our large customer base, the ongoing defense and resolution or settlement of these alleged claims could be material and we may incur significant expenses associated with arbitrating or litigating the claims. Moreover, to the extent that a deterioration of the crypto asset market occurs for a prolonged period, large platforms like us may become subject to or the target of increased litigation and additional government and regulatory scrutiny. Regardless of the outcome, any such matters can have an adverse impact, which may be material, on our business, operating results, or financial condition because of legal costs, diversion of management resources, reputational damage, and other factors.

If we cannot keep pace with rapid industry changes to provide new and innovative products and services, the use of our products and services, and consequently our net revenue, could decline, which could adversely impact our business, operating results, and financial condition.

Our industry has been characterized by many rapid, significant, and disruptive products and services in recent years. These include decentralized applications, DeFi, yield farming, non-fungible tokens (“NFTs”), play-to-earn games, lending, staking and re-staking, token wrapping, governance tokens, innovative programs to attract customers such as transaction fee mining programs, initiatives to attract traders such as trading competitions, airdrops and giveaways, staking reward programs, “layer 2” blockchain networks, and novel cryptocurrency fundraising and distribution schemes, such as “initial exchange offerings.” We expect new services and technologies to continue to emerge and evolve, which may be superior to, or render obsolete, the products and services that we currently provide. For example, disruptive technologies such as generative AI may fundamentally alter the use of our products or services in unpredictable ways. We cannot predict the effects of new services and technologies on our business. However, our ability to grow our customer base and net revenue will depend heavily on our ability to innovate and create successful new products and services, both independently and in conjunction with third-party developers. In particular, developing and incorporating new products and services into our business may require substantial expenditures, take considerable time, and ultimately may not be successful. Any new products or services could fail to attract customers, generate revenue, or perform or integrate well with third-party applications and platforms. In addition, our ability to adapt and compete with new products and services may be inhibited by regulatory requirements and general uncertainty in the law, constraints by our banking partners and payment processors, third-party intellectual property rights, or other factors. Moreover, we must continue to enhance our technical infrastructure and other technology offerings to remain competitive and maintain a platform that has the required functionality, performance, capacity, security, and speed to attract and retain customers, including large, institutional, high-frequency and high-volume traders. As a result, we expect to incur significant costs and expenses to develop and upgrade our technical infrastructure to meet the evolving needs of the industry. Our success will depend on our ability to develop and incorporate new offerings and adapt to technological changes and evolving industry practices. If we are unable to do so in a timely or cost-effective manner, our business and our ability to successfully compete, to retain existing customers, and to attract new customers may be adversely affected.

A particular crypto asset, product or service’s status as a “security” in any relevant jurisdiction is subject to a high degree of uncertainty and if we are unable to properly characterize a crypto asset or product offering, we may be subject to regulatory scrutiny, inquiries, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition.

The SEC and its staff have taken the position that a range of crypto assets, products and services fall within the definition of a “security” under the U.S. federal securities laws. Despite the SEC being the principal federal securities law regulator in the United States, whether or not an asset, product, or service is a security or constitutes a securities offering under federal securities laws is ultimately determined by a federal court. The legal test for determining whether any given crypto asset, product, or service is an investment contract security was set forth in the 1946 Supreme Court case *SEC v. W.J. Howey Co.* and whether any given crypto asset, product, or service is a note in the 1990 Supreme Court case *Reves v. Ernst & Young*. The legal tests for determining whether any given crypto asset, product, or service is a security requires a highly complex, fact-driven analysis. Accordingly, whether any given crypto asset, product or service would be ultimately deemed by a federal court to be a security is uncertain and difficult to predict notwithstanding the conclusions of the SEC or any conclusions we may draw based on our risk-based assessment regarding the likelihood that a particular crypto asset, product or service could be deemed a “security” or “securities offering” under applicable laws. The SEC generally does not provide advance guidance or confirmation on its assessment of the status of any particular crypto asset, product, or service as a security. Furthermore, in our view, statements by the SEC and its staff have appeared contradictory at times. It is also possible that a change in the governing administration or the appointment of new SEC commissioners could substantially impact the approach to enforcement by the SEC and its staff.

The SEC’s Strategic Hub for Innovation and Financial Technology published a framework for analyzing whether any given crypto asset is a security in April 2019. The SEC has also recently brought enforcement actions and entered into settlements with numerous cryptoeconomy participants alleging that certain digital assets are securities, including the June 2023 SEC Complaint. These statements, framework and enforcement actions are not rules or regulations of the SEC and are not binding on the SEC. As noted above, whether any given crypto asset, product or service would be ultimately deemed by a federal court to be a security is uncertain and difficult to predict. Moreover, the SEC and the Commodities Futures Trading Commission (the “CFTC”) and their senior officials have, at times, taken conflicting positions in speeches and enforcement actions as to whether a particular crypto asset is a security or commodity.

Several foreign jurisdictions have taken a broad-based approach to classifying crypto assets, products and services as “securities,” while other foreign jurisdictions, such as Switzerland, Malta, and Singapore, have adopted a narrower approach. As a result, certain crypto assets, products or services may be deemed to be a “security” under the laws of some jurisdictions but not others. Various foreign jurisdictions may, in the future, adopt additional laws, regulations, or directives that affect the characterization of crypto assets, products or services as “securities.”

The classification of a crypto asset, product or service as a security under applicable law has wide-ranging implications for the regulatory obligations that flow from the offer, sale, trading, and clearing, as applicable, of such assets, products or services. For example, a crypto asset, product or service that is a security in the United States may generally only be offered or sold in the United States pursuant to a registration statement filed with the SEC or in an offering that qualifies for an exemption from registration. Persons that effect transactions in crypto assets, products or services that are securities in the United States may be subject to registration with the SEC as a “broker” or “dealer.” Platforms that bring together purchasers and sellers to trade crypto assets that are securities in the United States are generally subject to registration as national securities exchanges, or must qualify for an exemption, such as by being operated by a registered broker-dealer as an ATS in compliance with rules for ATSs. Persons facilitating clearing and settlement of securities may be subject to registration with the SEC as a clearing agency. Foreign jurisdictions may have similar licensing, registration, and qualification requirements.

We have policies and procedures to analyze whether each crypto asset that we seek to facilitate trading on Coinbase Spot Market, as well as our products and services, could be deemed to be a “security” under applicable laws. Our policies and procedures do not constitute a legal standard, but rather represent our company-developed model, which we use to make a risk-based assessment regarding the likelihood that a particular crypto asset, product or service could be deemed a “security” under applicable laws.

Because Coinbase Spot Market, Coinbase Prime and Coinbase app are not registered or licensed with the SEC or foreign authorities as a broker-dealer, national securities exchange, or ATS (or foreign equivalents), we only permit trading of those crypto assets, and offer products and services, for which we determine there are reasonably strong arguments to conclude that the crypto asset, product or service is not a security. We believe that our process reflects a comprehensive and thoughtful analysis and is reasonably designed to facilitate consistent application of available legal guidance on crypto assets, products and services and to facilitate informed risk-based business judgment. In addition, as we shared in our petition for SEC rulemaking, we remain open to registering or relying on an exemption to facilitate and offer the sale of crypto asset securities. We recognize that the application of securities laws to the specific facts and circumstances of crypto assets, products and services may be complex and subject to change, and that a listing determination does not guarantee any conclusion under the U.S. federal securities laws. Regardless of our conclusions, we have been, and could in the future be, subject to legal or regulatory action in the event the SEC or a state or foreign regulatory authority were to assert, or a court were to determine, that a supported crypto asset, product or service offered, sold, or traded on our platform or a product or service that we offer is a “security” under applicable laws. There can be no assurance that we will properly characterize over time any given crypto asset, product or service offering as a security or non-security, or that the SEC, foreign regulatory authority, or a court having final determinative authority on the topic, if the question was presented to it, would agree with our assessment. We expect our risk assessment policies and procedures to continuously evolve to take into account case law, legislative developments, facts, and developments in technology. In June 2023, the SEC filed the June 2023 SEC Complaint. We and Coinbase, Inc. subsequently filed an answer to the June 2023 SEC Complaint in June 2023. In August 2023, we and Coinbase, Inc. also filed a motion for judgment on the pleadings. In October 2023, the SEC filed its response and we and Coinbase, Inc. filed our reply. Oral argument took place on January 17, 2024 and on March 27, 2024, the District Court denied in part and granted in part our motion for judgement on the pleadings. Subsequently, on April 12, 2024, we and Coinbase, Inc. filed a motion with the District Court seeking certification of an interlocutory appeal to the Court of Appeals. Additionally, in June 2023, we and Coinbase, Inc. became the subject of the State Staking Actions.

If an applicable regulatory authority or a court, in either case having final determinative authority on the topic, were to determine that a supported crypto asset, product or service currently offered, sold, or traded on our platform is a security, we would not be able to offer such crypto asset for trading, or product or service on our platform, until we are able to do so in a compliant manner. A determination by the SEC, a state or foreign regulatory authority, or a court that an asset that we currently support for trading on our platform, or product or service that we offer on our platform, constitutes a security may result in us removing that crypto asset from or ceasing to offer that product or service on our platform, and may also result in us determining that it is advisable to remove assets from our platform, or to cease offering products and services on our platform, that have similar characteristics to the asset, product or service that was alleged or determined to be a security. Alternatively, we may determine not to remove a particular crypto asset from Coinbase Spot Market or to continue to offer a product or service on our platform even if the SEC or another regulator alleges that the crypto asset, product or service is a security, pending a final judicial determination as to that crypto asset, product or service’s proper characterization, and the fact that we waited for a final judicial determination would generally not preclude penalties or sanctions against us for our having previously made our platform available for trading that crypto asset or offering that product or service on our platform without registering as a national securities exchange or ATS or registering tokens that we may issue, such as our cbETH and cbBTC tokens or our staking services, with the SEC. As such, we could be subject to judicial or administrative sanctions for

failing to offer or sell the crypto asset, product or service in compliance with the registration requirements, or for acting as a broker, dealer, or national securities exchange without appropriate registration, including in connection with the June 2023 SEC Complaint. Such an action could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, criminal liability, and reputational harm. Customers that traded such supported crypto asset on our platform and suffered trading losses could also seek to rescind a transaction that we facilitated on the basis that it was conducted in violation of applicable law, which could subject us to significant liability. We may also be required to cease facilitating transactions in the supported crypto asset other than via our licensed subsidiaries, which could negatively impact our business, operating results, and financial condition. Additionally, the SEC has brought and may in the future bring enforcement actions against other cryptoeconomy participants and their product offerings and services that may cause us to modify or discontinue a product offering or service on our platform. If we were to modify or discontinue any product offering or service or remove any assets from trading on our platform for any reason, our decision may be unpopular with users, may reduce our ability to attract and retain customers (especially if similar products, services or such assets continue to be offered or traded on unregulated exchanges, which includes many of our competitors), and may adversely affect our business, operating results, and financial condition.

Further, if Bitcoin, Ethereum, stablecoins or any other supported crypto asset is deemed to be a security under any U.S. federal, state, or foreign jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences for such supported crypto asset. For instance, all transactions in such supported crypto asset would have to be registered with the SEC or other foreign authority, or conducted in accordance with an exemption from registration, which could severely limit its liquidity, usability and transactability. Moreover, the networks on which such supported crypto assets are utilized may be required to be regulated as securities intermediaries, and subject to applicable rules, which could effectively render the network impracticable for its existing purposes. Further, it could draw negative publicity and a decline in the general acceptance of the crypto asset. Also, it may make it difficult for such supported crypto asset to be traded, cleared, and custodied as compared to other crypto assets that are not considered to be securities. Specifically, even if transactions in a crypto asset were registered with the SEC or conducted in accordance with an exemption from registration, the current intermediary-based framework for securities trading, clearance and settlement is not consistent with the operations of the crypto asset market. For example, under current SEC guidance, crypto asset securities cannot be held on behalf of customers by broker-dealers that also support custody of traditional securities; and the SEC has not permitted public permissionless blockchain-based clearance and settlement systems for securities.

We currently rely on third-party service providers for certain aspects of our operations, and any interruptions in services provided by these third parties may impair our ability to support our customers.

We rely on third parties in connection with many aspects of our business, including payment processors, banks, and payment gateways to process transactions; cloud computing services and data centers that provide facilities, infrastructure, smart contract development, website functionality and access, components, and services, including databases and data center facilities and cloud computing; as well as third parties that provide outsourced customer service, compliance support and product development functions, which are critical to our operations. Because we rely on third parties to provide these services and to facilitate certain of our business activities, we face increased operational risks. We do not directly manage the operation of any of these third parties, including their data center facilities that we use. These third parties may be subject to financial, legal, regulatory, and labor issues, cybersecurity incidents, data theft or loss, break-ins, computer viruses or vulnerabilities in their code, denial-of-service attacks, sabotage, acts of vandalism, loss, disruption, or instability of third-party banking relationships, privacy breaches, service terminations, disruptions, interruptions, and other misconduct. They are also vulnerable to damage or interruption from human error, power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes, pandemics and similar events. For example, on February 24, 2021, the U.S. Federal Reserve's payments network experienced an outage, which had the potential to

result in reduced functionality for certain of our products. In addition, these third parties may breach their agreements with us, disagree with our interpretation of contract terms or applicable laws and regulations, refuse to continue or renew these agreements on commercially reasonable terms or at all, fail or refuse to process transactions or provide other services adequately, take actions that degrade the functionality of our services, impose additional costs or requirements on us or our customers, or give preferential treatment to competitors. There can be no assurance that third parties that provide services to us or to our customers on our behalf will continue to do so on acceptable terms, or at all. If any third parties do not adequately or appropriately provide their services or perform their responsibilities to us or our customers on our behalf, such as if third-party service providers to close their data center facilities without adequate notice, are unable to restore operations and data, fail to perform as expected, or experience other unanticipated problems, we may be unable to procure alternatives in a timely and efficient manner and on acceptable terms, or at all, and we may be subject to business disruptions, losses or costs to remediate any of the deficiencies, customer dissatisfaction, reputational damage, legal or regulatory proceedings, or other adverse consequences which could harm our business.

Loss of a critical banking or insurance relationship could adversely impact our business, operating results, and financial condition.

We rely on bank relationships to provide our platform and custodial services. In particular, customer cash holdings on our platform are held with one or more of our multiple banking partners. As a registered money services business with FinCEN under the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, and its implementing regulations enforced by FinCEN, or collectively, the BSA, a licensed money transmitter in a number of U.S. states and territories, a licensee under NYDFS's Virtual Currency Business Activity regime, commonly referred to as a BitLicense, a licensed electronic money institution under both the U.K. Financial Conduct Authority and the Central Bank of Ireland, and a limited purpose trust company chartered by the NYDFS, our banking partners view us as a higher risk customer for purposes of their anti-money laundering programs. We may face difficulty establishing or maintaining banking relationships due to instability in the global banking system, increasing regulatory uncertainty and scrutiny, or our banking partners' policies and some prior bank partners have terminated their relationship with us or have limited access to bank services. The loss of these banking partners or the imposition of operational restrictions by these banking partners and the inability for us to utilize other redundant financial institutions may result in a disruption of business activity as well as regulatory risks. In addition, as a result of the myriad of regulations, the risks of crypto assets generally, the adverse reputational impact of the 2022 Events on our industry, or in the event of an adverse outcome of the June 2023 SEC Complaint, financial institutions in the United States and globally may decide to not provide, or be prohibited from providing, account, custody, or other financial services to us or the cryptoeconomy generally. Further, we have existing redundancies in U.S. and global financial institutions that work with crypto companies with which we engage.

However, if these financial institutions are subject to bank resolution or failure, or limit or end their cryptomarket activity, or if banking relationships become severely limited or unavailable to cryptomarket participants in a certain country, there could be temporary delays in or unavailability of services in such country that are critical to our or our partners' operations, developers or customers, a further limit on available vendors, reduced quality in services we, our partners, our developers or our customers are able to obtain, and a general disruption to the cryptoeconomy, potentially leading to reduced activity on our platform which may adversely impact our business, operating results, and financial condition. For example, while our business and operations have not been materially affected by the closures of Silvergate Capital Corp. and Signature Bank and the cessation of their real-time fiat currency payment networks in March 2023, large cryptoeconomy participants, including us and our institutional customers, experienced a temporary inability to transfer fiat currencies outside of standard business hours.

We also rely on insurance carriers to insure customer losses resulting from a breach of our physical security, cyber security, or by employee or third party theft and hold surety bonds as required for compliance with certain of our licenses under applicable state laws. Our ability to maintain crime, specie, and cyber insurance, as well as surety bonds, is subject to the insurance carriers' ongoing underwriting

criteria and our inability to obtain and maintain appropriate insurance coverage could cause a substantial business disruption, adverse reputational impact, inability to compete with our competitors, and regulatory scrutiny.

Any significant disruption in our products and services, in our information technology systems, or in any of the blockchain networks we support, could result in a loss of customers or funds and adversely impact our brand and reputation and our business, operating results, and financial condition.

Our reputation and ability to attract and retain customers and grow our business depends on our ability to operate our service at high levels of reliability, scalability, and performance, including the ability to process and monitor, on a daily basis, a large number of transactions that occur at high volume and frequencies across multiple systems. For example, in March 2023, there was a temporary disruption to USDC services for several days following the news of Silicon Valley Bank's closure. Our platform, the ability of our customers to trade, and our ability to operate at a high level, are dependent on our ability to access the blockchain networks underlying the supported crypto assets, for which access is dependent on our systems' ability to access the internet. Further, the successful and continued operations of such blockchain networks will depend on a network of computers, miners, or validators, and their continued operations, all of which may be impacted by service interruptions.

Our systems, the systems of our third-party service providers and partners, and certain crypto asset and blockchain networks have experienced from time to time, and may experience in the future service interruptions or degradation because of hardware and software defects or malfunctions, distributed denial-of-service and other cyberattacks, insider threats, break-ins, sabotage, human error, vandalism, earthquakes, hurricanes, floods, fires, and other natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses or other malware, or other events. In addition, extraordinary Trading Volumes or site usage could cause our computer systems to operate at an unacceptably slow speed or even fail. Some of our systems, including systems of companies we have acquired, or the systems of our third-party service providers and partners are not fully redundant, and our or their disaster recovery planning may not be sufficient for all possible outcomes or events.

If any of our systems, or those of our third-party service providers, are disrupted for any reason, our products and services may fail, resulting in unanticipated disruptions, slower response times and delays in our customers' trade execution and processing, failed settlement of trades, incomplete or inaccurate accounting, recording or processing of trades, unauthorized trades, loss of customer information, increased demand on limited customer support resources, customer claims, complaints with regulatory organizations, lawsuits, or enforcement actions. Further, when these disruptions occur, we have in the past, and may in the future, fulfill customer transactions using inventory to prevent adverse user impact and limit detrimental impact to our operating results. A prolonged interruption in the availability or reduction in the availability, speed, or functionality of our products and services could harm our business. Significant or persistent interruptions in our services could cause current or potential customers or partners to believe that our systems are unreliable, leading them to switch to our competitors or to avoid or reduce the use of our products and services, and could permanently harm our reputation and brands. Moreover, to the extent that any system failure or similar event results in damages to our customers or their business partners, these customers or partners could seek significant compensation or contractual penalties from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address. Problems with the reliability or security of our systems would harm our reputation and the cost of remedying these problems could negatively affect our business, operating results, and financial condition.

Because we are a regulated financial institution in certain jurisdictions, interruptions have resulted and in the future may result in regulatory scrutiny, and significant or persistent interruptions could lead to significant fines and penalties, and mandatory and costly changes to our business practices, and ultimately could cause us to lose existing licenses or banking relationships that we need to operate or

prevent or delay us from obtaining additional licenses that may be required for our business.

In addition, we are continually improving and upgrading our information systems and technologies. Implementation of new systems and technologies is complex, expensive, time-consuming, and may not be successful. If we fail to timely and successfully implement new information systems and technologies, or improvements or upgrades to existing information systems and technologies, or if such systems and technologies do not operate as intended, it could have an adverse impact on our business, internal controls (including internal controls over financial reporting), operating results, and financial condition.

Our failure to safeguard and manage our and our customers' fiat currencies and crypto assets could adversely impact our business, operating results, and financial condition.

We hold cash and safeguard crypto assets on behalf of our customers and hold fiat and crypto for corporate investment and operating purposes. In addition, following the acquisition of Coinbase Asset Management, formerly One River Digital Asset Management ("CBAM"), we additionally safeguard, as defined by Staff Accounting Bulletin No. 121 issued by the staff of the SEC ("SAB 121"), an immaterial amount of cryptocurrencies at third-party custodians for asset management products.

Safeguarding customers' cash and crypto assets is integral to the trust we build with our customers. We believe our policies, procedures, operational controls and controls over financial reporting, protect us from material risks surrounding the safeguarding of these assets and conflicts of interest. Our controls over financial reporting include among others, controls over the segregation of corporate crypto asset balances from customer crypto asset balances, controls over the processes of customer crypto asset deposits and customer crypto asset withdrawals and corporate and customer fiat balances. Our financial statements and disclosures, as a whole, are available through periodic filings on a quarterly basis, and compliant with annual audit requirements of Article 3 of Regulation S-X.

We hold cash at financial institutions in accounts designated as for the benefit of our customers. We have also entered into partnerships or joint ventures with third parties, such as with the issuer of USDC, where we or our partners receive and hold customer funds. Our and our financial partners' abilities to manage and accurately hold customer cash and cash we hold for our own investment and operating purposes requires a high level of internal controls. We are limited in our ability to influence or manage the controls and processes of third party partners or vendors and may be dependent on our partners' and vendors' operations, liquidity and financial condition to manage these risks. As we maintain, grow and expand our product and services offerings we also must scale and strengthen our internal controls and processes, and monitor our third party partners' and vendors' ability to similarly scale and strengthen. Failure to do so could adversely impact our business, operating results, and financial condition. This is important both to the actual controls and processes and the public perception of the same.

Any inability by us to maintain our safeguarding procedures, perceived or otherwise, could harm our business, operating results, and financial condition. Accordingly, we take steps to ensure customer cash is always secure. Customer cash and crypto asset balances are maintained through our internal ledgering processes. Customer cash is maintained in segregated Company bank accounts that are held for the exclusive benefit of customers with our financial institution banking partners or in government money market funds. We safeguard crypto assets using proprietary technology and operational processes. Crypto assets are not insured or guaranteed by any government or government agency, however we have worked hard to safeguard our customers' crypto assets and our own crypto assets for investment and operational purposes with legal and operational protections.

Any material failure by us or our partners to maintain the necessary controls, policies, procedures or to manage the crypto assets we hold for our own investment and operating purposes could also adversely impact our business, operating results, and financial condition. Further, any material failure by us or our partners to maintain the necessary controls or to manage customer crypto assets and funds appropriately and in compliance with applicable regulatory requirements could result in reputational harm, litigation, regulatory enforcement actions, significant financial losses, lead customers to discontinue or reduce their

use of our and our partners' products, and result in significant penalties and fines and additional restrictions, which could adversely impact our business, operating results, and financial condition. Moreover, because custodially held crypto assets may be considered to be the property of a bankruptcy estate, in the event of a bankruptcy, the crypto assets we hold in custody on behalf of our customers could be subject to bankruptcy proceedings and such customers could be treated as our general unsecured creditors. This may result in customers finding our custodial services more risky and less attractive and any failure to increase our customer base, discontinuation or reduction in use of our platform and products by existing customers as a result could adversely impact our business, operating results, and financial condition. Additionally, following the acquisition of CBAM, some of our asset management products hold customer assets at third-party custodians with their own bankruptcy protection procedures.

We place great importance on safeguarding crypto assets we custody and keeping them bankruptcy remote from our general creditors, and in June 2022 we updated our Retail User Agreement to clarify the applicability of UCC Article 8 to custodied crypto assets – the same legal protection that our institutional custody and prime broker clients also rely upon. UCC Article 8 provides that financial assets held by Coinbase are not property of Coinbase and not subject to the claims of its general creditors. In light of UCC Article 8, we believe that a court would not treat custodied crypto assets as part of our general estate; however, due to the novelty of crypto assets, courts have not yet considered this type of treatment for custodied crypto assets.

We deposit, transfer, and custody customer cash and crypto assets in multiple jurisdictions. In each instance, we require bank-level security encryption to safeguard customers' assets for our wallet and storage systems, as well as our financial management systems related to such custodial functions. Our security technology is designed to prevent, detect, and mitigate inappropriate access to our systems, by internal or external threats. We believe we have developed and maintained administrative, technical, and physical safeguards designed to comply with applicable legal requirements and industry standards. However, it is nevertheless possible that hackers, employees or service providers acting contrary to our policies, or others could circumvent these safeguards to improperly access our systems or documents, or the systems or documents of our business partners, agents, or service providers, and improperly access, obtain, or misuse customer crypto assets and funds. The methods used to obtain unauthorized access, disable, or degrade service or sabotage systems are also constantly changing and evolving and may be difficult to anticipate or detect for long periods of time. Certain of our customer contracts do not limit our liability with respect to security breaches and other security-related matters and our insurance coverage for such impropriety is limited and may not cover the extent of loss nor the nature of such loss, in which case we may be liable for the full amount of losses suffered, which could be greater than all of our assets. Our ability to maintain insurance is also subject to the insurance carriers' ongoing underwriting criteria. Any loss of customer cash or crypto assets could result in a subsequent lapse in insurance coverage, which could cause a substantial business disruption, adverse reputational impact, inability to compete with our competitors, and regulatory investigations, inquiries, or actions. Additionally, transactions undertaken through our websites or other electronic channels may create risks of fraud, hacking, unauthorized access or acquisition, and other deceptive practices. Any security incident resulting in a compromise of customer assets could result in substantial costs to us and require us to notify impacted individuals, and in some cases regulators, of a possible or actual incident, expose us to regulatory enforcement actions, including substantial fines, limit our ability to provide services, subject us to litigation, significant financial losses, damage our reputation, and adversely affect our business, operating results, financial condition, and cash flows.

The theft, loss, or destruction of private keys required to access any crypto assets held in custody for our own account or for our customers may be irreversible. If we are unable to access our private keys or if we experience a hack or other data loss relating to our ability to access any crypto assets, it could cause regulatory scrutiny, reputational harm, and other losses.

Crypto assets are generally controllable only by the possessor of the unique private key relating to the digital wallet in which the crypto assets are held. While blockchain protocols typically require public

addresses to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the crypto assets held in such a wallet. To the extent that any of the private keys relating to our wallets containing crypto assets held for our own account or for our customers is lost, destroyed, or otherwise compromised or unavailable, and no backup of the private key is accessible, we will be unable to access the crypto assets held in the related wallet. Further, we cannot provide assurance that our wallets will not be hacked or compromised. Crypto assets and blockchain technologies have been, and may in the future be, subject to security breaches, hacking, or other malicious activities. Any loss of private keys relating to, or hack or other compromise of, digital wallets used to store our customers' crypto assets could adversely affect our customers' ability to access or sell their crypto assets, require us to reimburse our customers for their losses, and subject us to significant financial losses in addition to losing customer trust in us and our products. As such, any loss of private keys due to a hack, employee or service provider misconduct or error, or other compromise by third parties could hurt our brand and reputation, result in significant losses, and adversely impact our business.

To mitigate the risks associated with the loss or theft of keys, we utilize both hot wallets and cold wallets in our custodial solutions. We actively manage wallet balances and generally seek to hold no more than 2% of custodied assets in hot wallets at any given time. Cold wallet private key materials are stored and secured at facilities within the United States and Europe. We store the substantial majority of our own crypto asset holdings utilizing the same storage solutions that we provide to our customers. In limited cases, we use storage solutions not offered to our customers to store immaterial amounts of crypto held for corporate purposes outside of our core custodial product offerings. Additionally, our Coinbase Asset Management offering utilizes both Coinbase and third parties as custodians.

At all times, we hold corporate assets in excess of the total amount of assets held in our hot wallets. Similar to most financial institutions, the total customer assets on our platform, such as those assets held in cold storage, are substantially more than our corporate assets and available insurance. While we have for years maintained, and continue to maintain, a commercial crime insurance policy, which has a one-year term without automatic renewals, in the event of a loss from our cold wallets, our assets may be insufficient to cover amounts that exceed our insurance coverage. We may be liable for such uninsured losses where we are required to reimburse customers, and such liability could cause our business, operating results, and financial condition to be adversely impacted.

Other Risks Related to Our Business and Financial Position

If we fail to retain existing customers or add new customers, or if our customers decrease their level of engagement with our products, services and platform, our business, operating results, and financial condition may be significantly harmed.

Our success depends on our ability to retain existing customers and attract new customers, including developers, to increase engagement with our products, services, and platform. To do so, we must continue to offer leading technologies and ensure that our products and services are secure, reliable, and engaging. We must also expand our products and services, and offer competitive prices in an increasingly crowded and price-sensitive market. There is no assurance that we will be able to continue to do so, that we will be able to retain our current customers or attract new customers, or keep our customers engaged. Any number of factors can negatively affect customer retention, growth, and engagement, including if:

- customers increasingly engage with competing products and services, including products and services that we are unable to offer due to regulatory reasons;
- we fail to introduce new and improved products and services, or if we introduce new products or services that are not favorably received;
- we fail to support new and in-demand crypto assets or if we elect to support crypto assets with negative reputations;
- there are changes in sentiment about the quality or usefulness of our products and services or concerns related to privacy, security, fiat pegging or other factors;

- there are adverse changes in our products and services that are mandated by legislation, regulatory authorities, or litigation;
- customers perceive the crypto assets on our platform to be bad investments, or experience significant losses in investments made on our platform;
- technical or other problems prevent us from delivering our products and services with the speed, functionality, security, and reliability that our customers expect;
- cybersecurity incidents, employee or service provider misconduct, or other unforeseen activities cause losses to us or our customers, including losses to assets held by us on behalf of our customers;
- modifications to our pricing model or modifications by competitors to their pricing models;
- we fail to provide adequate customer service;
- regulatory and governmental bodies in countries that we target for expansion express negative views towards crypto asset trading platforms and, more broadly, the cryptoeconomy; or
- we or other companies or high-profile figures in our industry are the subject of adverse media reports or other negative publicity.

From time to time, certain of these factors have negatively affected customer retention, growth, and engagement to varying degrees. If we are unable to maintain or increase our customer base and customer engagement, our revenue and financial results may be adversely affected. Any decrease in user retention, growth, or engagement could render our products and services less attractive to customers, which may have an adverse impact on our revenue, business, operating results, and financial condition. If our customer growth rate slows or declines, we will become increasingly dependent on our ability to maintain or increase levels of user engagement and monetization in order to drive growth of revenue.

Our operating expenses may increase in the future and we may not be able to achieve profitability or positive cash flow from operations on a consistent basis, which may cause our business, operating results, and financial condition to be adversely impacted.

Our operating expenses may increase in the future as we continue to grow our business. While we consistently evaluate opportunities to drive efficiency, we cannot guarantee that these efforts will be successful or that we will not re-accelerate operating expenditures in the future. Our operations may prove more expensive than we currently anticipate, and we may not succeed in increasing our net revenue sufficiently to offset these higher expenses. Our revenue growth may be further impacted by reduced demand for our offerings, increased competition, adverse macroeconomic conditions, a decrease in the growth or size of the cryptoeconomy, regulatory uncertainty or scrutiny, or changes that impact our ability to offer certain products or services, any failure to capitalize on growth opportunities, or failure of new products and services we develop to gain traction in the market. We cannot be certain that we will be able to achieve profitability or achieve positive operating cash flow on any quarterly or annual basis. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, operating results, and financial condition may suffer.

If we do not effectively scale our business, or are unable to maintain and improve our systems and processes, our operating results could be adversely affected.

We have experienced periods of significant growth, both in terms of employee headcount and customer growth, as well as the scaling back of our business in response to changing economic conditions. As our business changes, it becomes increasingly complex. To effectively manage and capitalize on our growth periods, we need to manage headcount, capital and processes efficiently while making investments such as expanding our information technology and financial, operating, and administrative systems and controls. Growth and scaling back initiatives could strain our existing resources, and we could experience ongoing operating difficulties in managing our business as it expands

across numerous jurisdictions, including difficulties in hiring, training, managing and retaining a remote and evolving employee base. If we do not adapt or scale to meet these evolving challenges, we may experience erosion to our brand, the quality of our products and services may suffer, and our company culture may be harmed. Moreover, the failure of our systems and processes could undermine our ability to provide accurate, timely, and reliable reports on our financial and operating results, including the financial statements provided herein, and could impact the effectiveness of our internal controls over financial reporting. In addition, our systems and processes may not prevent or detect all errors, omissions, or fraud. Any of the foregoing operational failures could lead to noncompliance with laws and regulations, loss of operating licenses or other authorizations, or loss of bank relationships that could substantially impair or even suspend company operations.

Successful implementation of our growth strategy will also require significant expenditures before any substantial associated revenue is generated and we cannot guarantee that these increased investments will result in corresponding and offsetting revenue growth. Because we have a limited history operating our business at its current scale, it is difficult to evaluate our current business and future prospects, including our ability to plan for and model future growth. Our limited operating experience at this scale, combined with the rapidly evolving nature of the crypto asset market in which we operate, substantial uncertainty concerning how these markets may develop, and other economic factors beyond our control, reduces our ability to accurately forecast quarterly or annual revenue.

Additionally, from time to time, we realign our resources and talent to implement stage-appropriate business strategies, including furloughs, layoffs and reductions in force. For example, in June 2022 and in January 2023, in response to rapidly changing economic conditions and in an effort to reduce our operational costs and improve our organizational efficiency, we reduced our workforce. If there are unforeseen expenses associated with such realignments in our business strategies, and we incur unanticipated charges or liabilities, then we may not be able to effectively realize the expected cost savings or other benefits of such actions. Failure to manage any growth or any scaling back of our operations could have an adverse effect on our business, operating results, and financial condition.

Our strategy and focus on delivering high-quality, compliant, easy-to-use, and secure crypto-related financial services may not maximize short-term or medium-term financial results.

We have taken, and expect to continue to take, actions that we believe are in the best interests of our customers and the long-term interests of our business, even if those actions do not necessarily maximize short-term or medium-term results. These include expending significant managerial, technical, and legal efforts on complying with laws and regulations that are applicable to our products and services and ensuring that our products are secure. We also focus on driving long-term engagement with our customers through innovation and developing new industry-leading products and technologies. These decisions may not be consistent with the short-term and medium-term expectations of our stockholders and may not produce the long-term benefits that we expect, which could have an adverse effect on our business, operating results, and financial condition.

Laws and regulations regarding conflicts of interest associated with the use of predictive data analytics, digital engagement practices, and similar technologies, if adopted and found to be applicable to our business, may require us to modify, limit, or discontinue our use of certain technologies and features contained within our products and services and may impact the way that we interact with existing and prospective customers, which could adversely affect our business, operating results, and financial condition.

We utilize a variety of predictive data analytics, digital engagement practices, and similar technologies in connection with certain of our products and services, such as recommendations, notifications, educational content, and relevant news, which are primarily designed to promote financial literacy and awareness and to provide customers with guidance and information to help them make better informed decisions about their crypto activity. Certain jurisdictions have proposed or are considering laws and regulations regarding conflicts of interest associated with the use of predictive data analytics, digital

engagement practices, and similar technologies by broker-dealers, investment advisers and/or other securities market participants. For example, in July 2023 the SEC proposed rules (the “July 2023 Rule Proposals”) that would impose new obligations on broker-dealers and investment advisers registered, or required to be registered, with the SEC with respect to conflicts of interest associated with the use of predictive data analytics and similar technologies when interacting with investors. We do not believe that the July 2023 Rule Proposals, if adopted as proposed, would apply to our business, although the SEC has alleged in the June 2023 SEC Complaint that we have acted as an unregistered broker. If the July 2023 Rule Proposals were to be adopted (as proposed or otherwise) and found to apply to our business, or if similar rules were to be adopted and found to apply to our business in any other jurisdiction in which we operate, we may be required to modify, limit, or discontinue our use of certain technologies and features contained within our products and services and/or to change the way that we interact with existing and prospective customers. The adoption of such laws or regulations in the jurisdictions in which we operate could, if they are deemed to apply to our business, adversely affect our business, operating results, and financial condition.

A significant amount of the Trading Volume on our platform is derived from a relatively small number of customers, and the loss of these customers, or a reduction in their Trading Volume, could have an adverse effect on our business, operating results, and financial condition.

A relatively small number of institutional market makers and high-transaction volume consumer customers account for a significant amount of the Trading Volume on our platform and our net revenue. We expect significant Trading Volume and net revenue attributable to these customers for the foreseeable future. As a result, a loss of these customers, or a reduction in their Trading Volume, and our inability to replace these customers with other customers, could have an adverse effect on our business, operating results, and financial condition.

Due to our limited operating history, it may be difficult to evaluate our business and future prospects, and we may not be able to achieve or maintain profitability in any given period.

We began our operations in 2012 and since then our business model has continued to evolve. Our net revenue has significantly grown since our formation, but there is no assurance that growth will continue in future periods and you should not rely on the net revenue growth of any given prior quarterly or annual period as an indication of our future performance. For example, while we generated \$7.4 billion in total net revenue for the year ended December 31, 2021, our total net revenue for the years ended December 31, 2023 and 2022 declined to \$2.9 billion and \$3.1 billion, respectively, primarily due to declining crypto prices, lower crypto asset volatility, and uncertainty in the cryptoeconomy following the 2022 Events. If our total net revenue were to further decline significantly for an extended period of time, our business, operating results and financial condition could be adversely affected. Our limited operating history and the volatile nature of our business make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties as described in this section. If we do not manage these risks successfully, our business may be adversely impacted. If our revenue growth rate were to decline significantly or become negative, it could adversely affect our operating results and financial condition. If we are not able to achieve or maintain positive cash flow from operations, our business may be adversely impacted and we may require additional financing, which may not be available on favorable terms or at all, or which would be dilutive to our stockholders.

Because our long-term success depends, in part, on our ability to expand our sales to customers outside the United States, our business is susceptible to risks associated with international operations.

We currently have subsidiaries in the United States and abroad. We plan to enter into or increase our presence in additional markets around the world. We have a limited operating history outside the United States, and our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to particular challenges of supporting a growing business in an environment of diverse cultures, languages, customs, tax laws, legal systems,

alternate dispute systems, and regulatory systems. As we continue to expand our business and customer base outside the United States, we will be increasingly susceptible to risks associated with international operations. These risks and challenges include:

- difficulty establishing and managing international operations and the increased operations, travel, infrastructure, including establishment of local customer service operations, local infrastructure to manage supported cryptocurrency or other financial instruments and corresponding books and records, and legal and regulatory compliance costs associated with different jurisdictions;
- the need to vary pricing and margins to effectively compete in international markets;
- the need to adapt and localize our products and services for specific countries, including offering services and support in local languages;
- compliance with multiple, potentially conflicting and changing governmental laws and regulations across different jurisdictions;
- compliance with U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities, as well as economic and trade sanctions;
- the need to comply with a greater set of law enforcement inquiries including those subject to mutual legal assistance treaties;
- compliance with the extraterritorial reach of any U.S. regulatory rules, including those imposed by the CFTC, SEC, FinCEN or other U.S. based regulators;
- difficulties obtaining and maintaining required licensing from regulators in foreign jurisdictions;
- competition with companies that have greater experience in the local markets, pre-existing relationships with customers in these markets or are subject to less regulatory requirements in local jurisdictions;
- varying levels of payments and blockchain technology adoption and infrastructure, and increased network, payment processing, banking, and other costs;
- compliance with anti-bribery laws, including compliance with the Foreign Corrupt Practices Act, the U.K. Bribery Act 2010, and other local anticorruption laws;
- difficulties collecting in foreign currencies and associated foreign currency exposure;
- difficulties holding, repatriating, and transferring funds held in offshore bank accounts;
- difficulties adapting to foreign customary commercial practices, enforcing contracts and collecting accounts receivable, longer payment cycles and other collection difficulties;
- restrictions on crypto asset trading;
- stringent local labor laws and regulations;
- potentially adverse tax developments and consequences;
- antitrust and competition regulations; and
- regional economic and political conditions.

We have limited experience with international regulatory environments and market practices and may not be able to penetrate or successfully operate in the markets we choose to enter. In addition, we may incur significant expenses as a result of our international expansion, and we may not be successful. We may face limited brand recognition in certain parts of the world that could lead to non-acceptance or delayed acceptance of our products and services by customers in new markets. We may also face challenges in complying with local laws and regulations. For example, we may be subject to regulatory frameworks that are evolving, have not undergone extensive rulemaking, and could result in uncertain outcomes for our customers and/or our ability to offer competitive products in the broader cryptoeconomy.

Our failure to successfully manage these risks could harm our international operations and have an adverse effect on our business, operating results, and financial condition.

Disputes with our customers could adversely impact our brand and reputation and our business, operating results, and financial condition.

From time to time we have been, and may in the future be, subject to claims and disputes with our customers with respect to our products and services, such as regarding the execution and settlement of crypto asset trades, fraudulent or unauthorized transactions, account takeovers, deposits and withdrawals of crypto assets, failures or malfunctions of our systems and services, or other issues relating to our products services. For example, during periods of heavy Trading Volumes, we have received increased customer complaints. Additionally, the ingenuity of criminal fraudsters, combined with many consumer users' susceptibility to fraud, may cause our customers to be subject to ongoing account takeovers and identity fraud issues. While we have taken measures to detect and reduce the risk of fraud, there is no guarantee that they will be successful and, in any case, require continuous improvement and optimization for continually evolving forms of fraud to be effective. There can be no guarantee that we will be successful in detecting and resolving these disputes or defending ourselves in any of these matters, and any failure may result in impaired relationships with our customers, damage to our brand and reputation, and substantial fines and damages. In some cases, the measures we have implemented to detect and deter fraud have led to poor customer experiences, including indefinite account inaccessibility for some of our customers, which increases our customer support costs and can compound damages. We could incur significant costs in compensating our customers, such as if a transaction was unauthorized, erroneous, or fraudulent. We could also incur significant legal expenses resolving and defending claims, even those without merit. To the extent we are found to have failed to fulfill our regulatory obligations, we could also lose our authorizations or licenses or become subject to conditions that could make future operations more costly, impair our ability to grow, and adversely impact our operating results. We currently are, and may in the future become, subject to investigation and enforcement action by state, federal, and international consumer protection agencies, including the Consumer Financial Protection Bureau (the "CFPB"), the Federal Trade Commission (the "FTC"), state attorneys general in the United States, the U.K. Financial Conduct Authority, the U.K. Financial Ombudsman Service, and the U.K. Office of Fair Trading, each of which monitors customer complaints against us and, from time to time, escalates matters for investigation and potential enforcement against us.

While certain of our customer agreements contain arbitration provisions with class action waiver provisions that may limit our exposure to consumer class action litigation, some federal, state, and foreign courts have refused or may refuse to enforce one or more of these provisions, and there can be no assurance that we will be successful in enforcing these arbitration provisions, including the class action waiver provisions, in the future or in any given case. Legislative, administrative, or regulatory developments may directly or indirectly prohibit or limit the use of pre-dispute arbitration clauses and class action waiver provisions. Any such prohibitions or limitations on or discontinuation of the use of such arbitration or class action waiver provisions could subject us to additional lawsuits, including additional consumer class action litigation, and significantly limit our ability to avoid exposure from consumer class action litigation.

We may suffer losses due to staking, delegating, and other related services we provide to our customers.

Certain supported crypto assets enable holders to earn rewards by participating in decentralized governance, bookkeeping and transaction confirmation activities on their underlying blockchain networks, such as through staking activities, including staking through validation, delegating, and baking. We currently provide and expect to continue to provide such services for certain supported crypto assets to our customers in order to enable them to earn rewards based on crypto assets that we hold on their behalf. For instance, as a service to customers, we operate staking nodes on certain blockchain networks utilizing customers' crypto assets and pass through the rewards received to those customers, less a service fee. In other cases, upon customers' instructions, we may delegate our customers' assets to third-

party service providers that are unaffiliated with us. Some networks may further require customer assets to be transferred into smart contracts on the underlying blockchain networks not under our or anyone's control. If our validator, any third-party service providers, or smart contracts fail to behave as expected, suffer cybersecurity attacks, experience security issues, or encounter other problems, our customers' assets may be irretrievably lost. In addition, certain blockchain networks dictate requirements for participation in the relevant decentralized governance activity, and may impose penalties, or "slashing," if the relevant activities are not performed correctly, such as if the staker, delegator, or baker acts maliciously on the network, "double signs" any transactions, or experience extended downtimes. If we or any of our service providers are slashed by the underlying blockchain network, our customers' assets may be confiscated, withdrawn, or burnt by the network, resulting in losses for which we may be responsible. Furthermore, certain types of staking require the payment of transaction fees on the underlying blockchain network and such fees can become significant as the amount and complexity of the transaction grows, depending on the degree of network congestion and the price of the network token. If we experience a high volume of such staking requests from our customers on an ongoing basis, we could incur significant costs. Any penalties or slashing events could damage our brand and reputation, cause us to suffer financial losses, discourage existing and future customers from utilizing our products and services, and adversely impact our business.

We may not be able to generate sufficient cash to service our debt and other obligations, including our obligations under the 2026 Convertible Notes, 2030 Convertible Notes and Senior Notes.

Our ability to make payments on our indebtedness, including the 2026 Convertible Notes, 2030 Convertible Notes and Senior Notes, and our other obligations will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to attain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including each series of the 2026 Convertible Notes, 2030 Convertible Notes and Senior Notes, and other obligations.

If we are unable to service our debt and other obligations from cash flows, we may need to refinance or restructure all or a portion of our debt obligations prior to maturity. Our ability to refinance or restructure our debt and other obligations will depend upon the condition of the capital markets and our financial condition at such time. Any refinancing or restructuring could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. If our cash flows are insufficient to service our debt and other obligations, we may not be able to refinance or restructure any of these obligations on commercially reasonable terms or at all and any refinancing or restructuring could have a material adverse effect on our business, operating results, or financial condition. Statutory, contractual or other restrictions may also limit our subsidiaries' ability to pay dividends or make distributions, loans or advances to us. For these reasons, we may not have access to any assets or cash flows of our subsidiaries to make interest and principal payments on each series of the 2026 Convertible Notes, 2030 Convertible Notes and Senior Notes.

If our cash flows are insufficient to fund our debt and other obligations and we are unable to refinance or restructure these obligations, we could face substantial liquidity problems and may be forced to reduce or delay investments and capital expenditures, or to sell material assets or operations to meet our debt and other obligations. We cannot assure you that we would be able to implement any of these alternative measures on satisfactory terms or at all or that the proceeds from such alternatives would be adequate to meet any debt or other obligations when due. If it becomes necessary to implement any of these alternative measures, our business, operating results, or financial condition could be materially and adversely affected.

We have a substantial amount of indebtedness and other obligations, which could adversely affect our financial position and prevent us from fulfilling our obligations under the 2026 Convertible Notes, 2030 Convertible Notes and Senior Notes.

We have a substantial amount of indebtedness and other obligations. As of September 30, 2024, we had approximately \$4.28 billion in aggregate principal amount of outstanding long-term indebtedness (excluding crypto asset borrowings), which includes \$1.74 billion of our Senior Notes, \$1.27 billion of our 2026 Convertible Notes and \$1.27 billion of our 2030 Convertible Notes.

Our substantial indebtedness and other obligations may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on our 2026 Convertible Notes, 2030 Convertible Notes, Senior Notes, and our other obligations;
- limit our ability to use our cash flow for working capital, capital expenditures, acquisitions or other general business purposes;
- increase our cost of borrowing;
- require us to use a substantial portion of our cash flow from operations to make debt service payments and pay our other obligations when due;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions, including changes in interest rates and foreign exchange rates.

We provide secured loans to our customers, which exposes us to credit risks and may cause us to incur financial or reputational harm.

We provide commercial loans to qualified customers secured by their crypto or fiat asset holdings on our platform, which exposes us to the risk of our borrowers' inability to repay such loans. In addition, such activity results in us being subject to certain lending laws and regulations in the applicable jurisdiction and as a result we may be subject to additional regulatory scrutiny. In the future we may enter into credit arrangements with financial institutions to obtain more capital. Any termination or interruption in the financial institutions' ability to lend to us could interrupt our ability to provide capital to qualified customers to the extent we rely on such credit lines to continue to offer or to grow such products. Further, our credit approval process, pricing, loss forecasting, and scoring models may contain errors or may not adequately assess creditworthiness of our borrowers, or may be otherwise ineffective, resulting in incorrect approvals or denials of loans. It is also possible that loan applicants could provide false or incorrect information. While we have procedures in place to manage our credit risk, such as conducting due diligence on our customers and running stress test simulations to monitor and manage exposures, including any exposures resulting from loans collateralized with crypto assets, we remain subject to risks associated with our borrowers' creditworthiness and our approval process. Such risks are heightened following the 2022 Events.

Borrower loan loss rates may be significantly affected by economic downturns or general economic conditions beyond our control and beyond the control of individual borrowers. In particular, loss rates on loans may increase due to factors such as prevailing market conditions in the cryptoeconomy, the price of Bitcoin and other crypto assets, which have experienced significant fluctuations, the amount of liquidity in the markets, and other factors. Borrowers may seek protection under federal bankruptcy law or similar laws. If a borrower of a loan files for bankruptcy (or becomes the subject of an involuntary petition), a stay may go into effect that will automatically put any pending collection actions on the loan on hold and prevent further collection action absent bankruptcy court approval. The efficacy of our security interest in customer collateral is not guaranteed under applicable state law or the Uniform Commercial Code and

therefore we may be exposed to loss in the event of a customer default, even if we appear to be secured against such default. While we have not incurred any material losses to date, if any of the foregoing events were to occur, our reputation and relationships with borrowers, and our financial results, could be harmed. We intend to continue to explore other products, models, and structures for offering commercial financing, and other forms of credit and loan products. Some of those models or structures may require, or be deemed to require, additional data, procedures, partnerships, licenses, regulatory approvals, or capabilities that we have not yet obtained or developed.

We are exposed to transaction losses due to chargebacks, refunds or returns as a result of fraud or uncollectability that may adversely impact our business, operating results, and financial condition.

Certain of our products and services are paid for by electronic transfers from bank accounts, which exposes us to risks associated with returns and insufficient funds. Furthermore, some of our products and services are paid for by credit and debit cards through payment processors, which exposes us to risks associated with chargebacks and refunds. These risks could arise from fraud, misuse, unintentional use, settlement delay, insufficiency of funds, or other activities. Also, criminals are using increasingly sophisticated methods to engage in illegal activities, such as counterfeiting and fraud. If we are unable to collect such amounts from the customer, or if the customer refuses or is unable, due to bankruptcy or other reasons, to reimburse us, we bear the loss for the amount of the chargeback, refund, or return.

While we have policies and procedures to manage and mitigate these risks, we cannot be certain that such processes will be effective. Our failure to limit chargebacks and fraudulent transactions could increase the number of returns, refunds and chargebacks that we have to process. In addition, if the number of returns, refunds and chargebacks increases, card networks or our banking partners could require us to increase reserves, impose penalties on us, charge additional or higher fees, or terminate their relationships with us. Failure to effectively manage risk and prevent fraud could increase our chargeback, refund, and return losses or cause us to incur other liabilities. Increases in chargebacks, refunds, returns, or other liabilities could have an adverse effect on our operating results, financial condition, and cash flows.

We route orders through third-party trading venues in connection with our Coinbase Prime trading service. The loss or failure of any such trading venues may adversely affect our business.

In connection with our Prime trading service, we routinely route customer orders to third-party exchanges or other trading venues. In connection with these activities, we generally hold cash and other crypto assets with such third-party exchanges or other trading venues in order to effect customer orders. If we were to experience a disruption in our access to these third-party exchanges and trading venues, our Prime trading service could be adversely affected to the extent that we are limited in our ability to execute order flow for our Prime customers. In addition, while we have policies and procedures to help mitigate our risks related to routing orders through third-party trading venues, if any of these third-party trading venues experience any technical, legal, regulatory or other adverse events, such as shutdowns, delays, system failures, suspension of withdrawals, illiquidity, insolvency, or loss of customer assets, we might not be able to fully recover the cash and other crypto assets that we have deposited with these third parties, and these risks may be heightened following the 2022 Events. For example, in connection with the 2022 Events, we were not able to recover an immaterial amount of cash deposited at FTX. As a result, our business, operating results and financial condition could be adversely affected.

Any acquisitions and investments that we make could require significant management attention, disrupt our business, result in dilution to our stockholders, and adversely affect our financial results.

As part of our business strategy, we routinely conduct discussions and evaluate opportunities for possible acquisitions, strategic investments, entries into new businesses, joint ventures, and other transactions. We have made and may continue to make acquisitions of and investments in, among other

things, specialized employees, complementary companies, products, services, licenses, or technologies. In the future, the pace and scale of our acquisitions may increase and may include larger acquisitions than we have done historically. We also invest in companies and technologies, many of which are private companies and technologies that are highly speculative in nature. In the future, we may not be able to find other suitable acquisition and investment candidates, and we may not be able to complete acquisitions or make investments on favorable terms, if at all. In some cases, the costs of such acquisitions and investments may be substantial, and there is no assurance that we will receive a favorable return on investment for our acquisitions and investments. We may in the future be required to write off acquisitions or investments. For example, we recorded gross impairment charges on our strategic investments in various companies and technologies for the year ended December 31, 2022, primarily as a result of adverse economic conditions and disruption in the crypto asset markets. Moreover, our previous and future acquisitions and investments may not achieve our goals, and any future acquisitions and investments we complete could be viewed negatively by customers, developers, advertisers, or investors. For example, in February 2019, we announced the acquisition of Neutrino S.r.l., a blockchain intelligence platform, whose founders were directly affiliated with the software firm the Hacking Team, which purportedly sold software with surveillance capabilities to governments with authoritarian regimes, resulting in reputational harm to our business, a loss of customers, and increased cost. In addition, if we fail to successfully close or integrate any acquisitions, or integrate the products or technologies associated with such acquisitions into our company, our net revenue and operating results could be adversely affected. Our ability to acquire and integrate companies, products, services, licenses, employees, or technologies in a successful manner is unproven. Any integration process may require significant time and resources, and we may not be able to manage the process successfully, including successfully securing regulatory approvals which may be required to close the transaction and to continue to operate the target firm's business or products in a manner that is useful to us. We may not successfully evaluate or utilize the acquired products, services, technology, or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash, incur debt, or issue equity securities to pay for any such acquisition, any of which could adversely affect our financial results. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our stockholders, which, depending on the size of the acquisition, may be significant. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

If we fail to develop, maintain, and enhance our brand and reputation, our business, operating results, and financial condition may be adversely affected.

Our brand and reputation are key assets and a competitive advantage. Maintaining, protecting, and enhancing our brand depends largely on the success of our marketing efforts, ability to provide consistent, high-quality, and secure products, services, features, and support, and our ability to successfully secure, maintain, and defend our rights to use the "Coinbase" mark and other trademarks important to our brand. We believe that the importance of our brand will increase as competition further intensifies. Our brand and reputation could be harmed if we fail to achieve these objectives or if our public image were to be tarnished by negative publicity, unexpected events, or actions by third parties. Unfavorable publicity about us, including our products, services, technology, customer service, personnel, and crypto asset or crypto asset platforms generally could diminish confidence in, and the use of, our products and services. Moreover, to the extent that we acquire a company and maintain that acquired company's separate brand, we could experience brand dilution or fail to retain positive impressions of our own brand to the extent such impressions are instead attributed to the acquired company's brand. In addition, because we are a founder-led company, actions by, or unfavorable publicity about, Brian Armstrong, our co-founder and Chief Executive Officer, may adversely impact our brand and reputation. Such negative publicity also could have an adverse effect on the size and engagement of our customers and could result in decreased revenue, which could have an adverse effect on our business, operating results, and financial condition.

Key business metrics and other estimates are subject to inherent challenges in measurement and to change as our business evolves, and our business, operating results, and financial condition could be adversely affected by real or perceived inaccuracies in those metrics or any changes in metrics we disclose.

We regularly review key business metrics to evaluate growth trends, measure our performance, and make strategic decisions. These key business metrics are calculated using internal company data and have not been validated by an independent third-party. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement at the time of reporting, there are inherent challenges in such measurements. If we fail to maintain an effective analytics platform, our key business metrics calculations may be inaccurate, and we may not be able to identify those inaccuracies. Additionally, we have in the past and may in the future, calculate key business metrics using third-party data. While we believe the third-party data we have used in the past or may use in the future is reliable, we have not independently verified and may not in the future independently verify the accuracy or completeness of the data contained in such sources and there can be no assurance that such data is free of error. Any inaccuracy in the third-party data we use could cause us to overstate or understate our key business metrics. We regularly review our processes for calculating these metrics, and from time to time we make adjustments to improve their accuracy. Additionally, our MTUs metric is measured at a point in time and as our products and internal processes for calculating these metrics evolve over time, a previously reported number could fluctuate. We generally will not update previously disclosed key business metrics for any such inaccuracies or adjustments that are immaterial.

Our key business metrics may also be impacted by compliance or fraud-related bans, technical incidents, or false or spam accounts in existence on our platform. We regularly deactivate fraudulent and spam accounts that violate our terms of service, and exclude these users from the calculation of our key business metrics; however, we may not succeed in identifying and removing all such accounts from our platform. Additionally, users are not prohibited from having more than one account and our MTUs metric may overstate the number of unique customers who have registered an account on our platform as one customer may register for, and use, multiple accounts with different email addresses, phone numbers, or usernames. Furthermore, MTUs may overstate the number of unique consumers due to differences in product architecture or user behavior, which may cause MTUs to fluctuate. For example, a user may currently have a Coinbase Wallet account that is unlinked to their registered account on our platform, but then choose to link these accounts in the future as our product offerings evolve. To the extent that the user had activity in both their Wallet and their registered account in the measurement period, what was previously captured as two unique MTUs would now be counted as a single MTU. If MTUs or our other key business metrics provide us with incorrect or incomplete information about users and their behavior, we may make inaccurate conclusions about our business.

We may change our key business metrics from time to time, which may be perceived negatively. Given the rapid evolution of the crypto markets and our revenue sources, we regularly evaluate whether our key business metrics remain meaningful indicators of the performance of our business. As a result of these evaluations, in the past we have decided to make changes, and in the future may make additional changes, to our key business metrics, including eliminating or replacing existing metrics. Further if investors or the media perceive any changes to our key business metrics disclosures negatively, our business could be adversely affected.

Unfavorable media coverage could negatively affect our business.

We receive a high degree of media coverage in the cryptoeconomy and around the world. Unfavorable publicity regarding, for example, our product changes, product quality, litigation or regulatory activity, privacy and data security practices, terms of service, employment matters, the use of our products, services, or supported crypto assets for illicit or objectionable ends, the actions of our customers, or the actions of other companies that provide similar services to ours, has in the past, and could in the future, adversely affect our reputation. Further, we have in the past, and may in the future, be the target of social media campaigns criticizing actual or perceived actions or inactions that are disfavored by our customers, employees, or society at-large, which campaigns could materially impact our

customers' decisions to trade on our platform. Any such negative publicity could have an adverse effect on the size, activity, and loyalty of our customers and result in a decrease in net revenue, which could adversely affect our business, operating results, and financial condition.

Our platform may be exploited to facilitate illegal activity such as fraud, money laundering, gambling, tax evasion, and scams. If any of our customers use our platform to further such illegal activities, our business could be adversely affected.

Our platform may be exploited to facilitate illegal activity including fraud, money laundering, gambling, tax evasion, and scams. We or our partners may be specifically targeted by individuals seeking to conduct fraudulent transfers, and it may be difficult or impossible for us to detect and avoid such transactions in certain circumstances. The use of our platform for illegal or improper purposes could subject us to claims, individual and class action lawsuits, and government and regulatory investigations, prosecutions, enforcement actions, inquiries, or requests that could result in liability and reputational harm for us. Moreover, certain activities that may be legal in one jurisdiction may be illegal in another jurisdiction, and certain activities that are at one time legal may in the future be deemed illegal in the same jurisdiction. As a result, there is significant uncertainty and cost associated with detecting and monitoring transactions for compliance with local laws. In the event that a customer is found responsible for intentionally or inadvertently violating the laws in any jurisdiction, we may be subject to governmental inquiries, enforcement actions, prosecuted, or otherwise held secondarily liable for aiding or facilitating such activities. Changes in law have also increased the penalties for money transmitters for certain illegal activities, and government authorities may consider increased or additional penalties from time to time. Owners of intellectual property rights or government authorities may seek to bring legal action against money transmitters, including us, for involvement in the sale of infringing or allegedly infringing items. Any threatened or resulting claims could result in reputational harm, and any resulting liabilities, loss of transaction volume, or increased costs could harm our business.

Moreover, while fiat currencies can be used to facilitate illegal activities, crypto assets are relatively new and, in many jurisdictions, may be lightly regulated or largely unregulated. Many types of crypto assets have characteristics, such as the speed with which digital currency transactions can be conducted, the ability to conduct transactions without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, the irreversible nature of certain crypto asset transactions, and encryption technology that anonymizes these transactions, that make crypto assets susceptible to use in illegal activity. U.S. federal and state and foreign regulatory authorities and law enforcement agencies, such as the Department of Justice ("DOJ"), SEC, CFTC, FTC, or the Internal Revenue Service ("IRS"), and various state securities and financial regulators have taken and continue to take legal action against persons and entities alleged to be engaged in fraudulent schemes or other illicit activity involving crypto assets. We also support crypto assets that incorporate privacy-enhancing features, and may from time to time support additional crypto assets with similar functionalities. These privacy-enhancing crypto assets obscure the identities of sender and receiver, and may prevent law enforcement officials from tracing the source of funds on the blockchain. Facilitating transactions in these crypto assets may cause us to be at increased risk of liability arising out of anti-money laundering and economic sanctions laws and regulations.

While we believe that our risk management and compliance framework is designed to detect significant illicit activities conducted by our potential or existing customers, we cannot ensure that we will be able to detect all illegal activity on our platform. Base, an open source permissionless L2 protocol built on the Ethereum blockchain developed by us, has been in the past, and may in the future, be a target for scam tokens or other illegal activity. For example, in August 2023, a number of fraudulent tokens were identified and traded on Base blockchain. As we continue to develop Base, and in light of this fraudulent activity, we continue to invest in improving our security processes, including through our in-house blockchain monitoring capabilities, third-party tools for identifying malicious and out of pattern events, and the monitoring of contract source code and bytecode on Base against a database of known scam code patterns. While to date, such illegal or fraudulent activity on Base has not had a material impact on our business, operating results, financial condition, or cash flows, future illegal activity may have an adverse impact on our business, operating results, financial condition or cash flows and our efforts to identify and

remedy such illegal or fraudulent activity may not be successful. If any of our customers use our platform to further such illegal activities, our business could be adversely affected.

Our compliance and risk management methods might not be effective and may result in outcomes that could adversely affect our reputation, operating results, and financial condition.

Our ability to comply with applicable complex and evolving laws, regulations, and rules is largely dependent on the establishment, maintenance, and scaling of our compliance, internal audit, and reporting systems to continuously keep pace with our customer activity and transaction volume, as well as our ability to attract and retain qualified compliance and other risk management personnel. While we have devoted significant resources to develop policies and procedures to identify, monitor, and manage our risks, and expect to continue to do so in the future, we cannot assure you that our policies and procedures are and will always be effective or that we have been and will always be successful in monitoring or evaluating the risks to which we are or may be exposed in all market environments or against all types of risks, including unidentified or unanticipated risks. Our risk management policies and procedures rely on a combination of technical and human controls and supervision that are subject to error and failure. Some of our methods for managing risk are discretionary by nature and are based on internally developed controls and observed historical market behavior, and also involve reliance on standard industry practices. These methods may not adequately prevent losses, particularly as they relate to extreme market movements, which may be significantly greater than historical fluctuations in the market. Further, as a result of the 2022 Events or similar market disruptions in the future, we may reevaluate our risk management policies and procedures. Accordingly, in the future, we may identify gaps in such policies and procedures or existing gaps may become higher risk, and may require significant resources and management attention. Our risk management policies and procedures also may not adequately prevent losses due to technical errors if our testing and quality control practices are not effective in preventing failures. In addition, we may elect to adjust our risk management policies and procedures to allow for an increase in risk tolerance, which could expose us to the risk of greater losses.

Regulators periodically review our compliance with our own policies and procedures and with a variety of laws and regulations. We have received in the past and may from time to time receive additional examination reports citing violations of rules and regulations and inadequacies in existing compliance programs, and requiring us to enhance certain practices with respect to our compliance program, including due diligence, training, monitoring, reporting, and recordkeeping. If we fail to comply with these, or do not adequately remediate certain findings, regulators could take a variety of actions that could impair our ability to conduct our business, including, but not limited to, delaying, denying, withdrawing, or conditioning approval of certain products and services. In addition, regulators have broad enforcement powers to censure, fine, issue cease and desist orders, prohibit us from engaging in some of our business activities, or revoke our licenses. We face significant intervention by regulatory authorities, including extensive examination and surveillance activities, and will continue to face the risk of significant intervention by regulatory authorities in the future. In the case of non-compliance or alleged non-compliance, we could be subject to investigations and proceedings that may result in substantial penalties or civil lawsuits, including by customers, for damages which can be significant. Any of these outcomes would adversely affect our reputation and brand and our business, operating results, and financial condition. Some of these outcomes could adversely affect our ability to conduct our business.

We hold certain investments in DeFi protocols and may suffer losses if they do not function as expected.

We hold investments in various DeFi protocols. These protocols achieve their investment purposes through self-executing smart contracts that allow users to invest crypto assets in a pool from which other users can borrow without requiring an intermediate party to facilitate these transactions. These investments earn interest to the investor based on the rates at which borrowers repay the loan, and can generally be withdrawn with no restrictions. However, these DeFi protocols are subject to various risks, including uncertain regulatory and compliance conditions in large markets such as the United States, the risk that the underlying smart contract is insecure, the risk that borrowers may default and the investor will not be able to recover its investment, the risk that any underlying collateral may experience significant volatility, and the risk of certain core developers with protocol administration rights can make unauthorized

or harmful changes to the underlying smart contract. If any of these risks materialize, our investments in these DeFi protocols may be adversely impacted.

We may suffer losses due to abrupt and erratic market movements.

The crypto asset market has been characterized by significant volatility and unexpected price movements, and experienced significant declines in 2022. Certain crypto assets may become more volatile and less liquid in a very short period of time, which was the case following the 2022 Events, resulting in market prices being subject to erratic and abrupt market movement, which could harm our business. For instance, abrupt changes in volatility or market movement can lead to extreme pressures on our platform and infrastructure that can lead to inadvertent suspension of services across parts of the platform or the entire platform. As a result, from time to time we experience outages. For example, in 2023, we experienced approximately 16 outages, with an average outage duration of 57.4 minutes. Outages can lead to increased customer service expense, can cause customer loss and reputational damage, result in inquiries and actions by regulators, and can lead to other damages for which we may be responsible.

Risks Related to Crypto Assets

Due to unfamiliarity and some negative publicity associated with crypto asset platforms, confidence or interest in crypto asset platforms may decline.

Crypto asset platforms are relatively new. Many of our competitors are unlicensed, unregulated, operate without supervision by any governmental authorities, and do not provide the public with significant information regarding their ownership structure, management team, corporate practices, cybersecurity, and regulatory compliance. As a result, customers and the general public may lose confidence or interest in crypto asset platforms, including regulated platforms like ours.

Since the inception of the cryptoeconomy, numerous crypto asset platforms have been sued, investigated, or shut down due to fraud, manipulative practices, business failure, and security breaches. In many of these instances, customers of these platforms were not compensated or made whole for their losses. Larger platforms like us are more appealing targets for hackers and malware, and may also be more likely to be targets of regulatory enforcement actions. For example, in February 2014, Mt. Gox, the then largest crypto asset platform worldwide, filed for bankruptcy protection in Japan after an estimated 700,000 Bitcoins were stolen from its wallets. In May 2019, Binance, one of the world's largest platforms, was hacked, resulting in losses of approximately \$40 million, and in February 2021, Bitfinex settled a long-running legal dispute with the State of New York related to Bitfinex's alleged misuse of over \$800 million of customer assets. The 2022 Events resulted in a loss of confidence in the broader cryptoeconomy, adverse reputational impact to crypto asset platforms, increased negative publicity surrounding crypto more broadly, heightened scrutiny by regulators and lawmakers and a call for increased regulations of crypto assets and crypto asset platforms.

In addition, there have been reports that a significant amount of crypto asset trading volume on crypto asset platforms is fabricated and false in nature, with a specific focus on unregulated platforms located outside the United States. Such reports may indicate that the market for crypto asset platform activities is significantly smaller than otherwise understood.

Negative perception, a lack of stability and standardized regulation in the cryptoeconomy, and the closure or temporary shutdown of crypto asset platforms due to fraud, business failure, hackers or malware, or government mandated regulation, and associated losses suffered by customers may continue to reduce confidence or interest in the cryptoeconomy and result in greater volatility of the prices of assets, including significant depreciation in value. Any of these events could have an adverse impact on our business and our customers' perception of us, including decreased use of our platform and loss of customer demand for our products and services.

Depositing and withdrawing crypto assets into and from our platform involve risks, which could result in loss of customer assets, customer disputes and other liabilities, which could adversely impact our business.

In order to own, transfer and use a crypto asset on its underlying blockchain network, a person must have a private and public key pair associated with a network address, commonly referred to as a “wallet.” Each wallet is associated with a unique “public key” and “private key” pair, each of which is a string of alphanumeric characters. To deposit crypto assets held by a customer onto our platform or custody platform, a customer must “sign” a transaction that consists of the private key of the wallet from where the customer is transferring crypto assets, the public key of a wallet that we control which we provide to the customer, and broadcast the deposit transaction onto the underlying blockchain network. Similarly, to withdraw crypto assets from our platform or custody platform, the customer must provide us with the public key of the wallet that the crypto assets are to be transferred to, and we would be required to “sign” a transaction authorizing the transfer. In addition, some crypto networks require additional information to be provided in connection with any transfer of crypto assets to or from our platforms. A number of errors can occur in the process of depositing or withdrawing crypto assets into or from our platform, such as typos, mistakes, or the failure to include the information required by the blockchain network. For instance, a user may incorrectly enter our wallet’s public key or the desired recipient’s public key when depositing and withdrawing from our platforms, respectively. Alternatively, a user may transfer crypto assets to a wallet address that the user does not own, control or hold the private keys to. In addition, each wallet address is only compatible with the underlying blockchain network on which it is created. For instance, a Bitcoin wallet address can only be used to send and receive Bitcoins. If any Ethereum or other crypto assets are sent to a Bitcoin wallet address, or if any of the foregoing errors occur, all of the customer’s sent crypto assets will be permanently and irretrievably lost with no means of recovery. We have encountered and expect to continue to encounter similar incidents with our customers. Such incidents could result in customer disputes, damage to our brand and reputation, legal claims against us, and financial liabilities, any of which could adversely affect our business.

Moreover, we hold customer assets one-to-one at all times and we have procedures to process redemptions and withdrawals expeditiously, following the terms of the applicable user agreements. We have not experienced excessive redemptions or withdrawals, or prolonged suspended redemptions or withdrawals, of crypto assets to date. However, similar to traditional financial institutions, we may experience temporary process-related withdrawal delays. For example, we, and traditional financial institutions, may experience such delays if there is a significant volume of withdrawal requests that is vastly beyond anticipated levels. This does not mean we cannot or will not satisfy withdrawals, but this may mean a temporary delay in satisfying withdrawal requests, which we still expect to be satisfied within the withdrawal timelines set forth in the applicable user agreements or otherwise communicated by us. To the extent we have process-related delays, even if brief or due to blockchain network congestion or heightened redemption activity, and within the terms of an applicable user agreement or otherwise communicated by us, we may experience increased customer complaints and damage to our brand and reputation and face additional regulatory scrutiny, any of which could adversely affect our business.

A temporary or permanent blockchain “fork” to any supported crypto asset could adversely affect our business.

Blockchain protocols, including Bitcoin and Ethereum, are open source. Any user can download the software, modify it, and then propose that Bitcoin, Ethereum, or other blockchain protocols users and miners adopt the modification. When a modification is introduced and a substantial majority of users and miners consent to the modification, the change is implemented and the Bitcoin, Ethereum or other blockchain protocol networks, as applicable, remain uninterrupted. However, if less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “fork” (i.e., “split”) of the impacted blockchain protocol network and respective blockchain, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two parallel versions of the Bitcoin, Ethereum, or other blockchain protocol network, as

applicable, running simultaneously, but with each split network's crypto asset lacking interchangeability.

Both Bitcoin and Ethereum protocols have been subject to "forks" that resulted in the creation of new networks, including Bitcoin Cash ABC, Bitcoin Cash SV, Bitcoin Diamond, Bitcoin Gold, Ethereum Classic, EthereumPOW, and others. Some of these forks have caused fragmentation among platforms as to the correct naming convention for forked crypto assets. Due to the lack of a central registry or rulemaking body, no single entity has the ability to dictate the nomenclature of forked crypto assets, causing disagreements and a lack of uniformity among platforms on the nomenclature of forked crypto assets, and which results in further confusion to customers as to the nature of assets they hold on platforms. In addition, several of these forks were contentious and as a result, participants in certain communities may harbor ill will towards other communities. As a result, certain community members may take actions that adversely impact the use, adoption, and price of Bitcoin, Ethereum, or any of their forked alternatives.

Furthermore, hard forks can lead to new security concerns. For instance, when the Ethereum and Ethereum Classic networks split in July 2016, replay attacks, in which transactions from one network were rebroadcast on the other network to achieve "double-spending," plagued platforms that traded Ethereum through at least October 2016, resulting in significant losses to some crypto asset platforms. Similar replay attacks occurred in connection with the Bitcoin Cash and Bitcoin Cash SV network split in November 2018. Another possible result of a hard fork is an inherent decrease in the level of security due to the splitting of some mining power across networks, making it easier for a malicious actor to exceed 50% of the mining power of that network, thereby making crypto assets that rely on proof-of-work more susceptible to attack, as has occurred with Ethereum Classic.

We do not believe that we are required to support any fork or airdrop or provide the benefit of any forked or airdropped crypto asset to our customers. However, we have in the past and may in the future continue to be subject to claims by customers arguing that they are entitled to receive certain forked or airdropped crypto assets by virtue of crypto assets that they hold with us. If any customers succeed on a claim that they are entitled to receive the benefits of a forked or airdropped crypto asset that we do not or are unable to support, we may be required to pay significant damages, fines or other fees to compensate customers for their losses.

Future forks may occur at any time. A fork can lead to a disruption of networks and our information technology systems, cybersecurity attacks, replay attacks, or security weaknesses, any of which can further lead to temporary or even permanent loss of our and our customers' assets. Such disruption and loss could cause us to be exposed to liability, even in circumstances where we have no intention of supporting an asset compromised by a fork.

We currently support, and expect to continue to support, certain smart contract-based crypto assets. If the underlying smart contracts for these crypto assets do not operate as expected, they could lose value and our business could be adversely affected.

We currently support, and expect to continue to support, various crypto assets that represent units of value on smart contracts deployed on a third-party blockchain. Smart contracts are programs that store and transfer value and execute automatically when certain conditions are met. Since smart contracts typically cannot be stopped or reversed, vulnerabilities in their programming and design can have damaging effects. For instance, in April 2018, a batch overflow bug was found in many Ethereum-based ERC20-compatible smart contract tokens that allowed hackers to create a large number of smart contract tokens, causing multiple crypto asset platforms worldwide to shut down ERC20-compatible token trading. Similarly, in March 2020, a design flaw in the MakerDAO smart contract caused forced liquidations of crypto assets at significantly discounted prices, resulting in millions of dollars of losses to users who had deposited crypto assets into the smart contract. If any such vulnerabilities or flaws come to fruition, smart contract-based crypto assets, including those held by our customers on our platforms, may suffer negative publicity, be exposed to security vulnerabilities, decline significantly in value, and lose liquidity over a short period of time.

In some cases, smart contracts can be controlled by one or more “admin keys” or users with special privileges, or “super users.” These users have the ability to unilaterally make changes to the smart contract, enable or disable features on the smart contract, change how the smart contract receives external inputs and data, and make other changes to the smart contract. For smart contracts that hold a pool of reserves, these users may also be able to extract funds from the pool, liquidate assets held in the pool, or take other actions that decrease the value of the assets held by the smart contract in reserves. Even for crypto assets that have adopted a decentralized governance mechanism, such as smart contracts that are governed by the holders of a governance token, such governance tokens can be concentrated in the hands of a small group of core community members, who would be able to make similar changes unilaterally to the smart contract. If any such super user or group of core members unilaterally make adverse changes to a smart contract, the design, functionality, features and value of the smart contract, its related crypto assets may be harmed. In addition, assets held by the smart contract in reserves may be stolen, misused, burnt, locked up or otherwise become unusable and irrecoverable. These super users can also become targets of hackers and malicious attackers. If an attacker is able to access or obtain the super user privileges of a smart contract, or if a smart contract’s super users or core community members take actions that adversely affect the smart contract, our customers who hold and transact in the affected crypto assets may experience decreased functionality and value of the applicable crypto assets, up to and including a total loss of the value of such crypto assets. Although we do not control these smart contracts, any such events could cause customers to seek damages against us for their losses, result in reputational damage to us, or in other ways adversely impact our business.

From time to time, we may encounter technical issues in connection with the integration of supported crypto assets and changes and upgrades to their underlying networks, which could adversely affect our business.

In order to support any supported crypto asset, a variety of front and back-end technical and development work is required to implement our wallet, custody, trading, staking and other solutions for our customers, and to integrate such supported crypto asset with our existing technical infrastructure. For certain crypto assets, a significant amount of development work is required and there is no guarantee that we will be able to integrate successfully with any existing or future crypto asset. In addition, such integration may introduce software errors or weaknesses into our platform, including our existing infrastructure. Even if such integration is initially successful, any number of technical changes, software upgrades, soft or hard forks, cybersecurity incidents, or other changes to the underlying blockchain network may occur from time to time, causing incompatibility, technical issues, disruptions, or security weaknesses to our platform. If we are unable to identify, troubleshoot and resolve any such issues successfully, we may no longer be able to support such crypto asset, our customers’ assets may be frozen or lost, the security of our hot, warm, or cold wallets may be compromised, and our platform and technical infrastructure may be affected, all of which could adversely impact our business.

If miners or validators of any supported crypto asset demand high transaction fees, our operating results may be adversely affected.

We charge miner fees when a customer sends certain crypto assets from their Coinbase account to a non-Coinbase account. We estimate the miner fee based on the cost that we will incur to process the withdrawal transaction on the underlying blockchain network. In addition, we also pay miner fees when we move crypto assets for various operational purposes, such as when we transfer crypto assets between our hot and cold wallets, for which we do not charge our customers. However, miner fees have been and may continue to be unpredictable. If the block rewards for miners on any blockchain network are not sufficiently high to incentivize miners, miners may demand higher transaction fees, or collude to reject low transaction fees and force users to pay higher fees. Although we generally attempt to pass miner fees relating to customer withdrawals through to our customers, we have in the past incurred, and expect to incur from time to time, losses associated with the payment of miner fees in excess of what we charge our customers, resulting in adverse impacts on our operating results.

Future developments regarding the treatment of crypto assets for U.S. and foreign tax purposes could adversely impact our business.

Due to the new and evolving nature of crypto assets and the absence of comprehensive legal and tax guidance with respect to crypto asset products and transactions, many significant aspects of the U.S. and foreign tax treatment of transactions involving crypto assets, such as the purchase and sale of crypto assets on our platform, as well as the provision of staking rewards and other crypto asset incentives and rewards products, are uncertain, and it is unclear whether, when and what guidance may be issued in the future on the treatment of crypto asset transactions for U.S. and foreign tax purposes.

In 2014, the IRS released Notice 2014-21, discussing certain aspects of “virtual currency” for U.S. federal income tax purposes and, in particular, stating that such virtual currency (i) is “property,” (ii) is not “currency” for purposes of the rules relating to foreign currency gain or loss, and (iii) may be held as a capital asset. From time to time, the IRS has released other notices and rulings relating to the tax treatment of virtual currency or crypto assets reflecting the IRS’s position on certain issues. The IRS has not addressed many other significant aspects of the U.S. federal income tax treatment of crypto assets and related transactions.

There continues to be uncertainty with respect to the timing, character and amount of income inclusions for various crypto asset transactions including, but not limited to lending and borrowing crypto assets, staking and other crypto asset incentives and products that we offer. Although we believe our treatment of crypto asset transactions for federal income tax purposes is consistent with existing positions from the IRS and/or existing U.S. federal income tax principles, because of the rapidly evolving nature of crypto asset innovations and the increasing variety and complexity of crypto asset transactions and products, it is possible the IRS and various U.S. states may disagree with our treatment of certain crypto asset offerings for U.S. tax purposes, which could adversely affect our customers and the vitality of our business. Similar uncertainties exist in the foreign markets in which we operate with respect to direct and indirect taxes, and these uncertainties and potential adverse interpretations of tax law could impact the amount of tax we and our non-U.S. customers are required to pay, and the vitality of our platforms outside of the United States.

There can be no assurance that the IRS, the U.S. state revenue agencies or other foreign tax authorities, will not alter their respective positions with respect to crypto assets in the future or that a court would uphold the treatment set forth in existing positions. It also is unclear what additional tax authority positions, regulations, or legislation may be issued in the future on the treatment of existing crypto asset transactions and future crypto asset innovations under U.S. federal, U.S. state or foreign tax law. Any such developments could result in adverse tax consequences for holders of crypto assets and could have an adverse effect on the value of crypto assets and the broader crypto assets markets. Future technological and operational developments that may arise with respect to crypto assets may increase the uncertainty with respect to the treatment of crypto assets for U.S. and foreign tax purposes. The uncertainty regarding tax treatment of crypto asset transactions impacts our customers, and could impact our business, both domestically and abroad.

Our tax information reporting obligations with respect to crypto transactions may be subject to further scrutiny in light of changes made to the U.S. and global broker reporting regime for tax reporting.

In November 2021, the U.S. Congress passed the Infrastructure Investment and Jobs Act (the “IIJA”), providing that brokers would be responsible for reporting to the IRS the transactions of their customers in digital assets, including transfers to other exchanges or to digital asset wallets not connected to any exchange. On June 28, 2024, the U.S. Treasury Department and the IRS released finalized regulations and issued other administrative guidance on tax information reporting for digital assets (the “Final Regulations”) and introduced new rules that will be applicable, in certain cases, starting January 1, 2025, related to our tax reporting and withholding obligations on our customer transactions.

Although we believe we are compliant with U.S. tax reporting and withholding requirements with respect to our customers' crypto asset transactions, our compliance with the Final Regulations, including but not limited to U.S. onboarding requirements through Forms W9 and W8, backup withholding, non-resident alien withholding, and Form 1099 and Form 1042-S reporting obligations, may be subject to scrutiny and may be challenged. There is a risk that we may not have proper processes and procedures necessary to comply with the Final Regulations, may not interpret the IJJA, the Final Regulations, or administrative guidance correctly, or may not build systems within the required timelines to ensure compliance for certain customers or transactions. If the IRS determines that we are not in compliance with our tax reporting or withholding obligations on customer transactions, significant taxes and penalties may be imposed, which could adversely affect our financial position. The Final Regulations will require us to invest substantially in new compliance processes and procedures, which also could adversely affect our financial position. Further, the IRS announced it intends to issue additional guidance in the future, including, but not limited to, guidance on the treatment of non-custodial parties, which could impose additional burdens on us and result in significant taxes and penalties that could adversely affect our financial position.

Similarly, new rules for reporting crypto assets under the global "common reporting standard" as well as under the "crypto-asset reporting framework" will be implemented on our international operations, creating new obligations and a need to invest in new onboarding and reporting infrastructure. Such rules are under discussion today by the member and observer states of the "Organization for Economic Cooperation and Development" and by the European Commission on behalf of the member states of the European Union. These new rules may give rise to potential liabilities or disclosure requirements for prior customer arrangements and new rules that affect how we onboard our customers and report their transactions to taxing authorities. Additionally, the European Union has issued a directive, commonly referred to as "CESOP" (the Central Electronic System of Payment information), requiring payment service providers in the European Union to report cross-border fiat transactions to taxing authorities on a quarterly basis beginning in January 2024. Any actual or perceived failure by us to comply with the above or any other emerging tax and financial regulations that apply to our operations could harm our business and adversely affect our financial position.

The nature of our business requires the application of complex financial accounting rules, and there is limited guidance from accounting standard setting bodies on certain topics. If financial accounting standards undergo significant changes, our operating results could be adversely affected.

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board (the "FASB"), the SEC, and various other bodies formed to promulgate and interpret appropriate accounting principles. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls and many companies' accounting policies are being subjected to heightened scrutiny by regulators and the public. Further, there has been limited precedent for the financial accounting of crypto assets and related valuation and revenue recognition. Moreover, a change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. For example, on March 31, 2022, the staff of the SEC issued SAB 121, which represented a significant change regarding how a company safeguarding crypto assets held for its platform users reports such crypto assets on its balance sheet and required retrospective application as of January 1, 2022. Additionally, in December 2023, the FASB issued Accounting Standards Update No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (ASU 2023-08): Accounting for and Disclosure of Crypto Assets ("ASU 2023-08"), which represents a significant change in how entities that hold crypto assets will account for certain of those holdings. Previously, crypto assets held were accounted for as intangible assets with indefinite useful lives, which required us to measure crypto assets at cost less impairment. Effective as of January 1, 2024, we adopted ASU 2023-08, which requires us to measure crypto assets held at fair value at each reporting date, with fair value gains and losses recognized through net income. Fair value gains and

losses can increase the volatility of our net income, especially if the underlying crypto asset market is volatile.

Uncertainties in or changes to regulatory or financial accounting standards could result in the need to change our accounting methods and restate our financial statements and impair our ability to provide timely and accurate financial information, which could adversely affect our financial statements, result in a loss of investor confidence, and more generally impact our business, operating results, and financial condition.

Risks Related to Government Regulation and Privacy Matters

The cryptoeconomy is novel. As a result, policymakers are just beginning to consider what a regulatory regime for crypto would look like and the elements that would serve as the foundation for such a regime. This less developed consideration of crypto may harm our ability to effectively react to proposed legislation and regulation of crypto assets or crypto asset platforms adverse to our business.

As crypto assets have grown in both popularity and market size, various U.S. federal, state, and local and foreign governmental organizations, consumer agencies and public advocacy groups have been examining the operations of crypto networks, users and platforms, with a focus on how crypto assets can be used to launder the proceeds of illegal activities, fund criminal or terrorist enterprises, and the safety and soundness of platforms and other service providers that hold crypto assets for users. Many of these entities have called for heightened regulatory oversight, and have issued consumer advisories describing the risks posed by crypto assets to users and investors. For instance, in September 2022, the White House published a fact sheet described as the first-ever “Comprehensive Framework for Responsible Development of Digital Assets,” which encouraged “agencies to issue guidance and rules to address current and emergent risks in the digital asset ecosystem.”

Competitors, including traditional financial services, have spent years cultivating professional relationships with relevant policymakers on behalf of their industry so that those policymakers may understand that industry, the current legal landscape affecting that industry, and the specific policy proposals that could be implemented in order to responsibly develop that industry. The lobbyists working for these competitors have similarly spent years developing and working to implement strategies to advance these industries. Members of the cryptoeconomy have started to engage policymakers directly and with the help of external advisors and lobbyists. For example, in order to advance our mission, in February 2022 we launched our Coinbase Innovation Political Action Committee to support crypto-forward political candidates and initiatives. Further, in December 2023, we together with a number of other crypto and blockchain market participants supported the launch of the Fairshake Political Action Committee to support political candidates in the 2024 U.S. presidential election who support crypto and blockchain innovation and responsible regulation. However, this work is in a relatively nascent stage. As a result, new laws and regulations may be proposed and adopted in the United States and internationally, or existing laws and regulations may be interpreted in new ways, that harm the cryptoeconomy or crypto asset platforms, which could adversely impact our business. Additionally, our political activities to further our mission may be perceived unfavorably by investors and the public and have an adverse impact on our brand and reputation.

Our Condensed Consolidated Balance Sheets may not contain sufficient amounts or types of regulatory capital to meet the changing requirements of our various regulators worldwide, which could adversely affect our business, operating results, and financial condition.

We are required to possess sufficient financial soundness and strength to adequately support our regulated subsidiaries. We may from time to time incur indebtedness and other obligations which could make it more difficult to meet these capitalization requirements or any additional regulatory requirements. In addition, although we are not a bank holding company for purposes of United States law or the law of any other jurisdiction, as a global provider of financial services and in light of the changing regulatory environment in various jurisdictions, we could become subject to new capital requirements introduced or imposed by the United States and international regulators. Any change or increase in these regulatory

requirements could have an adverse effect on our business, operating results, and financial condition.

As a financial institution licensed to, among other things, engage in money transmission in the United States, to conduct virtual currency business activity in New York, and issue electronic money in Europe, we are subject to strict rules governing how we manage and hold customer fiat currency and crypto assets. We maintain complex treasury operations to manage and move customer fiat currency and crypto assets across our platforms and to comply with regulatory requirements. However, it is possible we may experience errors in fiat currency and crypto asset handling, accounting, and regulatory reporting that lead us to be out of compliance with these requirements. In addition, regulators may increase the amount of fiat currency reserves that we are required to maintain for our operations, as has happened in the past, which may lead to sanctions, penalties, changes to our business operations, or the revocation of licenses. Frequent launch of new products and services, margin trading, lending functions, and the addition of new payment rails increase these risks.

Many of the crypto assets in which we facilitate trading are subject to regulatory authority by the CFTC. Any fraudulent or manipulative activity in a crypto asset occurring on our platform could subject us to increased regulatory scrutiny, regulatory enforcement, and litigation.

The CFTC has stated and judicial decisions involving CFTC enforcement actions have confirmed that at least some crypto assets, including Bitcoin, ether, litecoin, and stablecoins, such as USDC, USDT and BUSD, fall within the definition of a “commodity” under the CEA. As a result, the CFTC has general enforcement authority to police against manipulation and fraud in at least some spot crypto asset markets. From time to time, manipulation, fraud, and other forms of improper trading by market participants have resulted in, and may in the future result in, CFTC investigations, inquiries, enforcement action, and similar actions by other regulators, government agencies, and civil litigation. Such investigations, inquiries, enforcement actions, and litigation may cause us to incur substantial costs and could result in negative publicity.

Certain transactions in crypto assets may constitute “retail commodity transactions” subject to regulation by the CFTC as futures contracts. If crypto asset transactions we facilitate are deemed to be such retail commodity transactions, we would be subject to additional regulatory requirements, licenses and approvals, and potentially face regulatory enforcement, civil liability, and significant increased compliance and operational costs.

Any transaction in a commodity, including a crypto asset, entered into with or offered to retail investors using leverage, margin, or other financing arrangements (a “retail commodity transaction”) is subject to CFTC regulation as a futures contract unless such transaction results in actual delivery within 28 days. The meaning of “actual delivery” has been the subject of commentary and litigation, and in 2020, the CFTC adopted interpretive guidance addressing the “actual delivery” of a crypto asset. To the extent that crypto asset transactions that we facilitate or facilitated are deemed retail commodity transactions, including pursuant to current or subsequent rulemaking or guidance by the CFTC, we may be subject to additional regulatory requirements and oversight, and we could be subject to judicial or administrative sanctions if we do not or did not at a relevant time possess appropriate registrations. The CFTC has previously brought enforcement actions against entities engaged in retail commodity transactions without appropriate registrations, as well as recent enforcement settled orders against developers of decentralized platforms.

Particular crypto assets or transactions therein could be deemed “commodity interests” (e.g., futures, options, swaps) or security-based swaps subject to regulation by the CFTC or SEC, respectively. If a crypto asset that we facilitate trading in is deemed a commodity interest or a security-based swap, we would be subject to additional regulatory requirements, registrations and approvals, and potentially face regulatory enforcement, civil liability, and significant increased compliance and operational costs.

Commodity interests, as such term is defined by the CEA and CFTC rules and regulations, are subject to more extensive supervisory oversight by the CFTC, including registrations of entities engaged in, and platforms offering, commodity interest transactions. This CFTC authority extends to crypto asset

futures contracts and swaps, including transactions that are based on current and future prices of crypto assets and indices of crypto assets. To the extent that a crypto asset in which we facilitate or facilitated trading or transactions in a crypto asset which we facilitate or facilitated are deemed to fall within the definition of a commodity interest, including pursuant to subsequent rulemaking or guidance by the CFTC, we may be subject to additional regulatory requirements and oversight and could be subject to judicial or administrative sanctions if we do not or did not at a relevant time possess appropriate registrations as an exchange (for example, as a designated contract market for trading futures or options on futures, or as a swaps execution facility for trading swaps) or as a registered intermediary (for example, as a futures commission merchant or introducing broker). Such actions could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, as well as reputational harm. The CFTC has previously brought enforcement actions against entities engaged in crypto asset activities for failure to obtain appropriate exchange, execution facility and intermediary registrations.

Furthermore, the CFTC and the SEC have jointly adopted regulations defining “security-based swaps,” which include swaps based on single securities and narrow-based indices of securities. If a crypto asset is deemed to be a security, certain transactions referencing that crypto asset could constitute a security-based swap. A crypto asset or transaction therein that is based on or references a security or index of securities, whether or not such securities are themselves crypto assets, could also constitute a security-based swap. To the extent that a crypto asset in which we facilitate or have facilitated trading or transactions in a crypto asset which we facilitate or have facilitated are deemed to fall within the definition of a security-based swap, including pursuant to subsequent rulemaking or guidance by the CFTC or SEC, we may be subject to additional regulatory requirements and oversight by the SEC and could be subject to judicial or administrative sanctions if we do not or did not at a relevant time possess appropriate registrations as an exchange (for example, as a security-based swaps execution facility) or as a registered intermediary (for example, as a security-based swap dealer or broker-dealer). This could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, as well as reputational harm.

We obtain and process a large amount of sensitive customer data. Any real or perceived improper use of, disclosure of, or access to such data could harm our reputation, as well as have an adverse effect on our business.

We obtain and process large amounts of sensitive data, including personal data related to our customers and their transactions, such as their names, addresses, social security numbers, visa information, copies of government-issued identification, facial recognition data (from scanning of photographs for identity verification), trading data, tax identification, and bank account information. We face risks, including to our reputation, in the handling and protection of this data, and these risks will increase as our business continues to expand, including through our acquisition of, and investment in, other companies and technologies. Federal, state, and international laws and regulations governing privacy, data protection, and e-commerce transactions require us to safeguard our customers’, employees’, and service providers’ personal data.

We have administrative, technical, and physical security measures and controls in place and maintain a robust information security program. However, our security measures, or the security measures of companies we acquire, may be inadequate or breached as a result of third-party action, employee or service provider error, malfeasance, malware, phishing, hacking attacks, system error, trickery, advances in computer capabilities, new discoveries in the field of cryptography, inadequate facility security or otherwise, and, as a result, someone may be able to obtain unauthorized access to sensitive information, including personal data, on our systems. We could be the target of a cybersecurity incident, which could result in harm to our reputation and financial losses. Additionally, our customers have been and could be targeted in cybersecurity incidents like an account takeover, which could result in harm to our reputation and financial losses. For example, in 2021, third parties independently obtained login credentials and personal information for at least 6,000 customers and used those credentials to exploit a vulnerability that previously existed in the account recovery process. Coinbase reimbursed impacted customers approximately \$25.1 million. Additionally, privacy and data protection laws are evolving, and these laws may be interpreted and applied in a manner that is inconsistent with our data handling safeguards and

practices that could result in fines, lawsuits, and other penalties, and significant changes to our or our third-party partners' business practices and products and service offerings.

Our future success depends on the reliability and security of our platform. To the extent that the measures we, any companies we acquire, or our third-party business partners have taken prove to be insufficient or inadequate, or to the extent we discover a security breach suffered by a company we acquire following the closing of such acquisition, we may become subject to litigation, breach notification obligations, or regulatory or administrative sanctions, which could result in significant fines, penalties, damages, harm to our reputation, or loss of customers. If our own confidential business information or sensitive customer information were improperly disclosed, our business could be adversely affected. Additionally, a party who circumvents our security measures could, among other effects, appropriate customer information or other proprietary data, cause interruptions in our operations, or expose customers to hacks, viruses, and other disruptions.

Depending on the nature of the information compromised, in the event of a data breach or other unauthorized access to our customer data, we may also have obligations to notify customers and regulators about the incident, and we may need to provide some form of remedy, such as a subscription to credit monitoring services, pay significant fines to one or more regulators, or pay compensation in connection with a class-action settlement (including under the private right of action under the California Consumer Privacy Act of 2018 (the "CCPA"), which is expected to increase security breach litigation). Such breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. In the United States, the SEC has adopted rules for mandatory disclosure of cybersecurity incidents suffered by public companies, as well as cybersecurity governance and risk management. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises customer data. Any failure or perceived failure by us to comply with these laws may also subject us to enforcement action or litigation, any of which could harm our business. Additionally, the financial exposure from the events referenced above could either not be insured against or not be fully covered through any insurance that we may maintain, and there can be no assurance that the limitations of liability in any of our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages as a result of the events referenced above. Any of the foregoing could have an adverse effect on our business, reputation, operating results, and financial condition.

Furthermore, we may be required to disclose personal data pursuant to demands from individuals, regulators, government agencies, and law enforcement agencies in various jurisdictions with conflicting privacy and security laws, which could result in a breach of privacy and data protection policies, notices, laws, rules, court orders, and regulations. Additionally, changes in the laws and regulations that govern our collection, use, and disclosure of customer data could impose additional requirements with respect to the retention and security of customer data, could limit our marketing activities, and have an adverse effect on our business, operating results, and financial condition.

We are subject to laws, regulations, and industry requirements related to data privacy, data protection and information security, and user protection across different markets where we conduct our business, including in the United States, European Economic Area (the "EEA") and Asia-Pacific region and industry requirements and such laws, regulations, and industry requirements are constantly evolving and changing. Any actual or perceived failure to comply with such laws, regulations, and industry requirements, or our privacy policies, could harm our business.

Various local, state, federal, and international laws, directives, and regulations apply to our collection, use, retention, protection, disclosure, transfer, and processing of personal data. These data protection and privacy laws and regulations are subject to uncertainty and continue to evolve in ways that could adversely impact our business. These laws have a substantial impact on our operations both outside and in the United States, either directly or as a data processor and handler for various offshore entities.

In the United States, state and federal lawmakers and regulatory authorities have increased their attention on the collection and use of user data. In the United States, non-sensitive user data generally may be used under current rules and regulations, subject to certain restrictions, so long as the person does not affirmatively “opt-out” of the collection or use of such data. If an “opt-in” model or additional required “opt-outs” were to be adopted in the United States, less data may be available, and the cost of data likely would increase. For example, California enacted the CCPA (effective January 2020) and the California Privacy Rights Act (the “CPRA”) (effective January 2023), which expands upon and amends the CCPA.

The CCPA and the CPRA require covered companies to, among other things, provide new disclosures to California users, and affords such users new privacy rights such as the ability to opt-out of certain sales of personal information and expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is collected, used, and shared. The CCPA provides for civil penalties for violations, as well as a private right of action for security breaches that may increase security breach litigation. In addition, several other states have proposed or enacted laws that contain obligations similar to the CCPA and CPRA that have taken effect or will take effect in coming years. We cannot fully predict the impact of recently proposed or enacted laws or regulations on our business or operations, but compliance may require us to modify our data processing practices and policies incurring costs and expense. Further, to the extent multiple state-level laws are introduced with inconsistent or conflicting standards, it may require costly and difficult efforts to achieve compliance with such laws. Our failure or perceived failure to comply with state privacy laws or regulations passed in the future could have a material adverse effect on our business, including how we use personal information, our business, operating results, and financial condition.

Additionally, many foreign countries and governmental bodies, including Australia, Brazil, Kenya, the European Union, India, Japan, Philippines, Indonesia, Singapore, United Kingdom, Switzerland, and numerous other jurisdictions in which we operate or conduct our business, have laws and regulations concerning the collection, use, processing, storage, and deletion of personal information obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. Such laws and regulations may require companies to implement new privacy and security policies, permit individuals to access, correct, and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, require that certain types of data be retained on local servers within these jurisdictions, and, in some cases, obtain individuals’ affirmative opt-in consent to collect and use personal information for certain purposes.

We are subject to the European Union’s General Data Protection Regulation (the “GDPR”) and the United Kingdom’s General Data Protection Regulation (the “U.K. GDPR”), which impose stringent privacy and data protection requirements, and could increase the risk of non-compliance and the costs of providing our products and services in a compliant manner. A breach of the GDPR or U.K. GDPR could result in regulatory investigations, reputational damage, fines and sanctions, orders to cease or change our processing of our data, enforcement notices, or assessment notices (for a compulsory audit). For example, if regulators assert that we have failed to comply with the GDPR or U.K. GDPR, we may be subject to fines of up to €20 million (£17.5 million) or 4% of our worldwide annual revenue, whichever is greater. We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

Both the GDPR (covering the EEA) as well as U.K. and Swiss data protection laws impose strict rules on the transfer of personal data out of the E.U., U.K., or Switzerland to a “third country,” including the United States. On June 4, 2021 the European Commission finalized new versions of the Standard Contractual Clauses, with the Implementing Decision now in effect. The U.K. Information Commissioner’s Office of the Data Protection Authority published the U.K. version of the Standard Contractual Clauses (the “SCCS”), which requires us to use and honor these clauses for transfers of U.K. residents’ personal

data to a foreign country that does not have adequate data protection. Effective July 10, 2023, the new E.U.-U.S. and Swiss-U.S. Data Privacy Framework (together, the “DPF”) have been recognized as adequate under E.U. law to allow transfers of personal data from the E.U. and Switzerland to certified companies in the United States. The U.K. extension to the DPF (the “U.K. DPF”) which covers transfers of personal data from the U.K. to certified companies in the United States took effect in October 2023. However, the DPF and U.K. DPF are subject to further legal challenge which could cause the legal requirements for personal data transfers from the E.U., Switzerland and the U.K. to the United States to become uncertain once again. E.U., Switzerland and U.K. data protection authorities have and may again block the use of certain U.S.-based services that involve the transfer of personal data to the United States. In the E.U. and other markets, potential new rules and restrictions on the flow of data across borders could increase the cost and complexity of doing business in those regions.

While we maintain an E.U.-U.S., Swiss-U.S. and U.K.-U.S. DPF certification, we still rely on the standard contractual clauses for intercompany data transfers from the European Union, Switzerland and the U.K. to the United States. As supervisory authorities continue to issue further guidance on personal data, we could suffer additional costs, complaints, or regulatory investigations or fines, and if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations and could adversely affect our financial results.

We are also subject to evolving E.U. privacy laws on cookies and e-marketing. In the European Union, regulators are increasingly focusing on compliance with requirements in the online behavioral advertising ecosystem, and an E.U. regulation known as the ePrivacy Regulation will significantly increase fines for non-compliance once in effect. In the European Union, informed consent, including a prohibition on pre-checked consents and a requirement to ensure separate consents for each cookie, is required for the placement of a cookie or similar technologies on a user’s device and for direct electronic marketing. As regulators start to enforce the strict approach in recent guidance, this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, negatively impact our efforts to understand users, adversely affect our margins, increase costs, and subject us to additional liabilities.

There is a risk that as we expand, we may assume liabilities for breaches experienced by the companies we acquire. Additionally, there are potentially inconsistent world-wide government regulations pertaining to data protection and privacy. Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection, and information security, it is possible that our practices, offerings, or platform could fail, or be alleged to fail to meet applicable requirements. For instance, the overall regulatory framework governing the application of privacy laws to blockchain technology is still highly undeveloped and likely to evolve. Further there are also changes in the regulatory landscape relating to new and evolving technologies, such as generative AI, which we have and continue to find new ways to leverage in our products and internal operations. Changes to existing regulations, their interpretation or implementation, or new regulations could impede any potential use of AI technologies, which could impair our competitive position and result in an adverse effect on our business, results of operations and financial condition. Our failure, or the failure by our third-party providers or partners, to comply with applicable laws or regulations and to prevent unauthorized access to, or use or release of personal data, or the perception that any of the foregoing types of failure has occurred, even if unfounded, could subject us to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, severe criminal, or civil sanctions, damage our reputation, or result in fines or proceedings by governmental agencies and private claims and litigation, any of which could adversely affect our business, operating results, and financial condition.

Risks Related to Third Parties

Our current and future services are dependent on payment networks and acquiring processors, and any changes to their rules or practices could adversely impact our business.

We rely on banks and other payment processors to process customers' payments in connection with the purchase of crypto assets on our platform and we pay these providers fees for their services. From time to time, payment networks have increased, and may increase in the future, the interchange fees and assessments that they charge for transactions that use their networks. Payment networks have imposed, and may impose in the future, special fees on the purchase of crypto assets, including on our platform, which could negatively impact us and significantly increase our costs. Our payment card processors may have the right to pass any increases in interchange fees and assessments on to us, and may impose additional use charges which would increase our operating costs and reduce our operating income. We could attempt to pass these increases along to our customers, but this strategy might result in the loss of customers to our competitors that may not pass along the increases, thereby reducing our revenue and earnings. If competitive practices prevent us from passing along the higher fees to our customers in the future, we may have to absorb all or a portion of such increases, thereby increasing our operating costs and reducing our earnings.

We may also be directly or indirectly liable to the payment networks for rule violations. Payment networks set and interpret their network operating rules and have alleged from time to time that various aspects of our business model violate these operating rules. If such allegations are not resolved favorably, they may result in significant fines and penalties or require changes in our business practices that may be costly and adversely affect our business. The payment networks could adopt new operating rules or interpret or reinterpret existing rules that we or our processors might find difficult or even impossible to follow, or costly to implement. As a result, we could lose our ability to give customers the option of using cards to fund their purchases or the choice of currency in which they would like their card to be charged. If we are unable to accept cards or are limited in our ability to do so, our business would be adversely affected.

We depend on major mobile operating systems and third-party platforms for the distribution of certain products. If Google Play, the Apple App Store, or other platforms prevent customers from downloading our apps, our ability to grow may be adversely affected.

We rely upon third-party platforms for the distribution of certain products and services. Our Coinbase and Coinbase Wallet apps are provided as free applications through both the Apple App Store and the Google Play Store, and are also accessible via mobile and traditional websites. The Google Play Store and Apple App Store are global application distribution platforms and the main distribution channels for our apps. As such, the promotion, distribution, and operation of our apps are subject to the respective platforms' terms and policies for application developers, which are very broad and subject to frequent changes and re-interpretation. Further, these distribution platforms often contain restrictions related to crypto assets that are uncertain, broadly construed, and can limit the nature and scope of services that can be offered. For example, Apple App Store's restrictions related to crypto assets have disrupted the proposed launch of many features within the Coinbase and Coinbase Wallet apps, including our Learning Rewards and NFT transfer services and access to decentralized applications. If our products are found to be in violation of any such terms and conditions, we may no longer be able to offer our products through such third-party platforms. There can be no guarantee that third-party platforms will continue to support our product offerings, or that customers will be able to continue to use our products. For example, in November 2013, our iOS app was temporarily removed by Apple from the Apple App Store. In December 2019, we were similarly instructed by Apple to remove certain features relating to decentralized applications from our application to comply with the Apple App Store's policies. Any changes, bugs, technical or regulatory issues with third-party platforms, our relationships with mobile manufacturers and carriers, or changes to their terms of service or policies could degrade our products' functionalities, reduce or eliminate our ability to distribute our products, give preferential treatment to competitive products, limit our ability to deliver high quality offerings, or impose fees or other charges, any of which

could affect our product usage and harm our business.

Risks Related to Intellectual Property

Our intellectual property rights are valuable, and any inability to protect them could adversely impact our business, operating results, and financial condition.

Our business depends in large part on our proprietary technology and our brand. We rely on, and expect to continue to rely on, a combination of trademark, trade dress, domain name, copyright, and trade secrets, as well as confidentiality and license agreements with our employees, contractors, consultants, and third parties with whom we have relationships, to establish and protect our brand and other intellectual property rights. However, our efforts to protect our intellectual property rights may not be sufficient or effective. Our proprietary technology and trade secrets could be lost through misappropriation or breach of our confidentiality and license agreements, and any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. There can be no assurance that our intellectual property rights will be sufficient to protect against others offering products, services, or technologies that are substantially similar to ours and that compete with our business.

We do not intend to monetize our patents or attempt to block third parties from competing with us by asserting our patents offensively, but our ability to successfully defend intellectual property challenges from competitors and other parties may depend, in part, on our ability to counter-assert our patents defensively. Effective protection of our intellectual property may be expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. As we have grown, we have sought to obtain and protect our intellectual property rights in an increasing number of countries, a process that can be expensive and may not always be successful. In some instances, patent applications or patents may be abandoned or allowed to lapse, resulting in partial or complete loss of patent rights in a relevant jurisdiction. Further, intellectual property protection may not be available to us in every country in which our products and services are available. For example, some foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against certain third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. We may also agree to license our patents to third parties as part of various patent pools and open patent projects. Those licenses may diminish our ability, though, to counter-assert our patents against certain parties that may bring claims against us.

We have been, and in the future may be, sued by third parties for alleged infringement of their proprietary rights.

In recent years, there has been considerable patent, copyright, trademark, domain name, trade secret and other intellectual property development activity in the cryptoeconomy, as well as litigation, based on allegations of infringement or other violations of intellectual property, including by large financial institutions. Furthermore, individuals and groups can purchase patents and other intellectual property assets for the purpose of making claims of infringement to extract settlements from companies like ours. Our use of third-party intellectual property rights also may be subject to claims of infringement or misappropriation. We cannot guarantee that our internally developed or acquired technologies and content do not or will not infringe the intellectual property rights of others. From time to time, our competitors or other third parties may claim that we are infringing upon or misappropriating their intellectual property rights, and we may be found to be infringing upon such rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our products or services or using certain technologies, force us to implement expensive work-arounds, or impose other unfavorable terms. We expect that the occurrence of infringement claims is likely to grow as the crypto assets market grows and matures. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources. Further,

during the course of any litigation, we may make announcements regarding the results of hearings and motions, and other interim developments. If securities analysts and investors regard these announcements as negative, the market price of our Class A common stock may decline. Even if intellectual property claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and require significant expenditures. Any of the foregoing could prevent us from competing effectively and could have an adverse effect on our business, operating results, and financial condition.

Our platform contains third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could harm our business.

Our platform contains software modules licensed to us by third-party authors under “open source” licenses. We also make certain of our own software available to users for free under various open source licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification or other contractual protections regarding infringement claims or the quality of the code. In addition, the public availability of such software may make it easier for others to compromise our platform.

Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use, or grant other licenses to our intellectual property. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar offerings with lower development effort and time and ultimately could result in a loss of our competitive advantages. Alternatively, to avoid the public release of the affected portions of our source code, we could be required to expend substantial time and resources to re-engineer some or all of our software.

We have not recently conducted an extensive audit of our use of open source software and, as a result, we cannot assure you that our processes for controlling our use of open source software in our platform are, or will be, effective. If we are held to have breached or failed to fully comply with all the terms and conditions of an open source software license, we could face litigation, infringement or other liability, or be required to seek costly licenses from third parties to continue providing our offerings on terms that are not economically feasible, to re-engineer our platform, to discontinue or delay the provision of our offerings if re-engineering could not be accomplished on a timely basis or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, operating results, and financial condition. Moreover, the terms of many open source licenses have not been interpreted by U.S. or foreign courts. As a result, there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to provide or distribute our platform. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their solutions. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software.

Risks Related to Our Employees and Other Service Providers

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could adversely impact our business, operating results, and financial condition.

We operate in a relatively new industry that is not widely understood and requires highly skilled and technical personnel. We believe that our future success is highly dependent on the talents and contributions of our senior management team, including Mr. Armstrong, our co-founder and Chief Executive Officer, members of our executive team, and other key employees across product, engineering, risk management, finance, compliance and legal, and marketing. Our future success depends on our ability to attract, develop, motivate, and retain highly qualified and skilled employees. Due to the nascent

nature of the cryptoeconomy, the pool of qualified talent is extremely limited, particularly with respect to executive talent, engineering, risk management, and financial regulatory expertise. We face intense competition for qualified individuals from numerous software and other technology companies. To attract and retain key personnel, we incur significant costs, including salaries and benefits and equity incentives. Even so, these measures may not be enough to attract and retain the personnel we require to operate our business effectively. The loss of even a few key employees or senior leaders, or an inability to attract, retain and motivate additional highly skilled employees required for the planned expansion of our business could adversely impact our operating results and impair our ability to grow.

Our culture emphasizes innovation, and if we cannot maintain this culture, our business and operating results could be adversely impacted.

We believe that our entrepreneurial and innovative corporate culture has been a key contributor to our success. We encourage and empower our employees to develop and launch new and innovative products and services, which we believe is essential to attracting high quality talent, partners, and developers, as well as serving the best, long-term interests of our company. If we cannot maintain this culture, we could lose the innovation, creativity and teamwork that has been integral to our business. Additionally, from time to time, we realign our resources and talent to implement stage-appropriate business strategies, including furloughs, layoffs, or reductions in force. In such cases, we may find it difficult to prevent a negative effect on employee morale or attrition beyond our planned reduction, in which case our products and services may suffer and our business, operating results, and financial condition could be adversely impacted.

In the event of employee or service provider misconduct or error, our business may be adversely impacted.

Employee or service provider misconduct or error could subject us to legal liability, financial losses, and regulatory sanctions and could seriously harm our reputation and negatively affect our business. Such misconduct could include engaging in improper or unauthorized transactions or activities, misappropriation of customer funds, insider trading and misappropriation of information, failing to supervise other employees or service providers, improperly using confidential information, as well as improper trading activity such as spoofing, layering, wash trading, manipulation and front-running. Employee or service provider errors, including mistakes in executing, recording, or processing transactions for customers, could expose us to the risk of material losses even if the errors are detected. Although we have implemented processes and procedures and provide trainings to our employees and service providers to reduce the likelihood of misconduct and error, these efforts may not be successful. Moreover, the risk of employee or service provider error or misconduct may be even greater for novel products and services and is compounded by the fact that many of our employees and service providers are accustomed to working at tech companies which generally do not maintain the same compliance customs and rules as financial services firms. This can lead to high risk of confusion among employees and service providers with respect to compliance obligations, particularly including confidentiality, data access, trading, and conflicts. It is not always possible to deter misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. If we were found to have not met our regulatory oversight and compliance and other obligations, we could be subject to regulatory sanctions, financial penalties, restrictions on our activities for failure to properly identify, monitor and respond to potentially problematic activity and seriously damage our reputation. Our employees, contractors, and agents could also commit errors that subject us to financial claims for negligence, as well as regulatory actions, or result in financial liability. Further, allegations by regulatory or criminal authorities of improper trading activities could affect our brand and reputation.

Our officers, directors, employees, and large stockholders may encounter potential conflicts of interests with respect to their positions or interests in certain crypto assets, entities, and other initiatives, which could adversely affect our business and reputation.

We frequently engage in a wide variety of transactions and maintain relationships with a significant

number of crypto projects, their developers, members of their ecosystem, and investors. These transactions and relationships could create potential conflicts of interests in management decisions that we make. For instance, certain of our officers, directors, and employees are active investors in crypto projects themselves, and may make investment decisions that favor projects that they have personally invested in. Many of our large stockholders also make investments in these crypto projects. In addition, our co-founder and Chief Executive Officer, Mr. Armstrong, is involved in a number of initiatives related to the cryptoeconomy and more broadly. For example, Mr. Armstrong currently serves as the chief executive officer of ResearchHub Technologies, Inc., a scientific research development platform. This and other initiatives he is involved in could divert Mr. Armstrong's time and attention from overseeing our business operations which could have a negative impact on our business. Moreover, we may in the future be subject to litigation as a result of his involvement with these other initiatives.

Similarly, certain of our directors, officers, employees, and large stockholders may hold crypto assets that we are considering supporting for trading on our platform, and may be more supportive of such listing notwithstanding legal, regulatory, and other issues associated with such crypto assets. While we have instituted policies and procedures to limit and mitigate such risks, there is no assurance that such policies and procedures will be effective, or that we will be able to manage such conflicts of interests adequately. If we fail to manage these conflicts of interests, or we receive unfavorable media coverage with respect to actual or perceived conflicts of interest, our business may be harmed and the brand, reputation and credibility of our company may be adversely affected.

General Risk Factors

Adverse economic conditions may adversely affect our business.

Our performance is subject to general economic conditions, and their impact on the crypto asset markets and our customers. The United States and other key international economies have experienced cyclical downturns from time to time in which economic activity declined resulting in lower consumption rates, restricted credit, reduced profitability, weaknesses in financial markets, bankruptcies, and overall uncertainty with respect to the economy. Adverse general economic conditions have impacted the cryptoeconomy, although the extent of which remains uncertain and dependent on a variety of factors, including market adoption of crypto assets, global trends in the cryptoeconomy, central bank monetary policies, instability in the global banking system and other events beyond our control. Geopolitical developments, such as trade wars and foreign exchange limitations can also increase the severity and levels of unpredictability globally and increase the volatility of global financial and crypto asset markets. For example, the capital and credit markets have experienced extreme volatility and disruptions, resulting in steep declines in the value of crypto assets. To the extent general economic conditions and crypto assets markets materially deteriorate or decline for a prolonged period, our ability to generate revenue and to attract and retain customers could suffer and our business, operating results and financial condition could be adversely affected. Moreover, even if general economic conditions were to improve following any such deterioration, there is no guarantee that the cryptoeconomy would similarly improve.

Further, in 2022, a number of blockchain protocols and crypto financial firms, and in particular protocols and firms involving high levels of financial leverage such as high-yield lending products or derivatives trading, suffered from insolvency and liquidity crises leading to the 2022 Events. Some of the 2022 Events are alleged or have been held to be the result of fraudulent activity by insiders, including misappropriation of customer funds and other illicit activity and internal controls failures. In connection with the 2022 Events, concerns were raised about the potential for a market condition where the failure of one company leads to the financial distress of other companies, which has the potential to depress the prices of assets used as collateral by other firms. If such a market condition were to become widespread in the cryptoeconomy, we could suffer from increased counterparty risk, including defaults or bankruptcies of major customers or counterparties, which could lead to significantly reduced activity on our platform and fewer available crypto market opportunities in general. Further, forced selling of crypto assets by distressed companies could lead to lower crypto asset prices and may lead to a reduction in our revenue. To the extent that conditions in the general economic and crypto asset markets were to materially

deteriorate, our ability to attract and retain customers may suffer.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry, or the financial services industry generally, or concerns or rumors about any such events or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, in March 2023, Silvergate Capital Corp. announced it would wind down operations and liquidate Silvergate Bank. Soon after, the FDIC was appointed receiver of Silicon Valley Bank and Signature Bank. In connection with these issues and issues with other financial institutions, the prices of fiat-backed stablecoins, including USDC, were temporarily impacted and may be similarly impacted again in the future. Further, if the instability in the global banking system continues or worsens, there could be additional negative ramifications, such as additional all market-wide liquidity problems or impacted access to deposits and investments for customers of affected banks and certain banking partners, and our business, operating results and financial condition could be adversely affected.

We are a remote-first company which subjects us to heightened operational risks.

Our employees and service providers work from home and we are a remote-first company. This subjects us to heightened operational risks. For example, technologies in our employees' and service providers' homes may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to employees and service providers to be more limited or less reliable than in our offices. Further, the security systems in place at our employees' and service providers' homes may be less secure than those used in our offices, and while we have implemented technical and administrative safeguards to help protect our systems as our employees and service providers work from home, we may be subject to increased cybersecurity risk, which could expose us to risks of data or financial loss, and could disrupt our business operations. There is no guarantee that the data security and privacy safeguards we have put in place will be completely effective or that we will not encounter risks associated with employees and service providers accessing company data and systems remotely. We also face challenges due to the need to operate with the remote workforce and are addressing those challenges to minimize the impact on our ability to operate.

Being a remote-first company may make it more difficult for us to preserve our corporate culture and our employees may have decreased opportunities to collaborate in meaningful ways. Further, we cannot guarantee that being a remote-first company will not have a negative impact on employee morale and productivity. Any failure to preserve our corporate culture and foster collaboration could harm our future success, including our ability to retain and recruit personnel, innovate and operate effectively, and execute on our business strategy.

Environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, regulators, employees, users and other stakeholders concerning corporate responsibility, specifically related to environmental, social and governance matters ("ESG"). Some investors may use these non-financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to corporate responsibility are inadequate. The growing investor demand for measurement of non-financial performance is addressed by third-party providers of sustainability assessment and ratings on companies. The criteria by which our corporate responsibility practices are assessed may change due to the constant evolution of the sustainability landscape, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. If we elect not to or are unable to satisfy such new criteria, investors may conclude that our policies and actions with respect to corporate social responsibility are inadequate. We may face reputational damage in the event that we do not meet the ESG standards set by various constituencies.

Furthermore, if our competitors' corporate social responsibility performance is perceived to be better than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the

event that we communicate certain initiatives and goals regarding environmental, social and governance matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, employees and other stakeholders or our initiatives are not executed as planned, our reputation and business, operating results and financial condition could be adversely impacted.

Changes in U.S. and foreign tax laws, as well as the application of such laws, could adversely impact our financial position and operating results.

We are subject to complex tax laws and regulations in the United States and a variety of foreign jurisdictions. All of these jurisdictions have in the past and may in the future make changes to their corporate income tax rates and other income tax laws which could increase our future income tax provision. For example, our future income tax obligations could be adversely affected by earnings that are lower than anticipated in jurisdictions where we have lower statutory rates and by earnings that are higher than anticipated in jurisdictions where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities, by changes in the amount of unrecognized tax benefits, or by changes in tax laws, regulations, accounting principles, or interpretations thereof, including changes with possible retroactive application or effect.

Our determination of our tax liability is subject to review and may be challenged by applicable U.S. and foreign tax authorities. Any adverse outcome of such a challenge could harm our operating results and financial condition. The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment and, in the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is complex and uncertain. Moreover, as a multinational business, we have subsidiaries that engage in many intercompany transactions in a variety of tax jurisdictions where the ultimate tax determination is complex and uncertain. Our existing corporate structure and intercompany arrangements have been implemented in a manner we believe is in compliance with current prevailing tax laws. Furthermore, as we operate in multiple taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views with respect to, among other things, the characterization and source of income or other tax items, the manner in which the arm's-length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. The taxing authorities of the jurisdictions in which we operate may challenge our tax treatment of certain items or the methodologies we use for valuing developed technology or intercompany arrangements, which could impact our worldwide effective tax rate and harm our financial position and operating results.

Further, any changes in the tax laws governing our activities may increase our tax expense, the amount of taxes we pay, or both. For example, the Tax Cuts and Jobs Act (the "TCJA"), enacted on December 22, 2017, significantly reformed the U.S. federal tax code, reducing the U.S. federal corporate income tax rate, making sweeping changes to the rules governing international business operations, and imposing new limitations on a number of tax benefits, including deductions for business interest and the use of net operating loss carryforwards. Effective beginning in 2022, the TCJA also eliminated the option to immediately deduct research and development expenditures and required taxpayers to amortize domestic expenditures over five years and foreign expenditures over fifteen years. The Inflation Reduction Act of 2022 (the "Inflation Reduction Act"), enacted on August 16, 2022, further amended the U.S. federal tax code, imposing a 15% minimum tax on "adjusted financial statement income" of certain corporations as well as an excise tax on the repurchase or redemption of stock by certain corporations, beginning in the 2023 tax year. In addition, over the last several years, the Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project that, if implemented, would change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. As of September 2024, over 140 countries have approved a framework that imposes a minimum tax rate of 15%, among other provisions. As this framework is subject to further negotiation and implementation by each member country, the timing and ultimate impact of any such changes on our tax obligations are uncertain. There can be no

assurance that future tax law changes will not increase the rate of the corporate income tax, impose new limitations on deductions, credits or other tax benefits, or make other changes that may adversely affect our business, cash flows or financial performance.

In addition, the IRS has yet to issue guidance on a number of important issues regarding the tax treatment of cryptocurrency and the products we provide to our customers and from which we derive our income. In the absence of such guidance, we will take positions with respect to any such unsettled issues. There is no assurance that the IRS or a court will agree with the positions taken by us, in which case tax penalties and interest may be imposed that could adversely affect our business, cash flows or financial performance.

We also are subject to non-income taxes, such as payroll, sales, use, value-added, digital services, net worth, property, and goods and services taxes in the United States and various foreign jurisdictions. Specifically, we may be subject to new allocations of tax as a result of increasing efforts by certain jurisdictions to tax activities that may not have been subject to tax under existing tax principles. Companies such as ours may be adversely impacted by such taxes. Tax authorities may disagree with certain positions we have taken. As a result, we may have exposure to additional tax liabilities that could have an adverse effect on our operating results and financial condition.

As a result of these and other factors, the ultimate amount of tax obligations owed may differ from the amounts recorded in our financial statements and any such difference may harm our operating results in future periods in which we change our estimates of our tax obligations or in which the ultimate tax outcome is determined.

Our ability to use our deferred tax assets may be subject to certain limitations under U.S. or foreign law.

Realization of our deferred tax assets, in the form of future domestic or foreign tax deductions, credits or other tax benefits, will depend on future taxable income, and there is a risk that some or all of such tax assets could be subject to limitation or otherwise unavailable to offset future income tax liabilities, all of which could adversely affect our operating results. For example, future changes in our stock ownership, the causes of which may be outside of our control, could result in an ownership change under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), which could limit our use of such tax assets in certain circumstances. Similarly, additional changes may be made to U.S. (federal and state) and foreign tax laws which could further limit our ability to fully utilize these tax assets against future taxable income.

Under the Inflation Reduction Act, our ability to utilize tax deductions or losses from prior years may be limited by the imposition of the 15% minimum tax if such minimum tax applies to us. Therefore, we may be required to pay additional U.S. federal income taxes despite any available tax deductions, U.S. federal net operating loss (“NOL”) carryforwards, credits or other tax benefits that we accumulate.

Fluctuations in currency exchange rates could harm our operating results and financial condition.

Revenue generated and expenses incurred from our international operations are often denominated in the currencies of the local countries. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our revenue and operating results reflected in our U.S. dollar-denominated financial statements. Our financial results are also subject to changes in exchange rates that impact the settlement of transactions in non-functional currencies. As a result, it could be more difficult to detect underlying trends in our business and operating results. To the extent that fluctuations in currency exchange rates cause our operating results to differ from expectations of investors, the market price of our Class A common stock could be adversely impacted. From time to time, we may engage in currency hedging activities to limit the risk of foreign currency exchange rate fluctuations. To the extent we use hedging instruments to hedge exposure to fluctuations in foreign currency exchange rates, the use of such hedging instruments may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place, and may

introduce additional risks if we are unable to structure effective hedges with such instruments.

If our estimates or judgment relating to our critical accounting estimates prove to be incorrect, our operating results could be adversely affected.

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” in Part I, Item 2 of this Quarterly Report on Form 10-Q. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments that comprise our critical accounting estimates involve the valuation of assets acquired and liabilities assumed in business combinations, valuation of strategic investments, evaluation of tax positions, and evaluation of legal and other contingencies. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of analysts and investors, resulting in a decline in the trading price of our Class A common stock.

We may be adversely affected by natural disasters, pandemics, and other catastrophic events, and by man-made problems such as terrorism, that could disrupt our business operations, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Natural disasters or other catastrophic events may also cause damage or disruption to our operations, international commerce, and the global economy, and could have an adverse effect on our business, operating results, and financial condition. Our business operations are subject to interruption by natural disasters, fire, power shortages, and other events beyond our control. In addition, our global operations expose us to risks associated with public health crises, such as pandemics and epidemics, which could harm our business and cause our operating results to suffer. For example, the COVID-19 pandemic and the related precautionary measures that we adopted have in the past resulted, and could in the future result, in difficulties or changes to our customer support, or create operational or other challenges, any of which could adversely impact our business and operating results. Further, acts of terrorism, labor activism or unrest, and other geopolitical unrest, including ongoing regional conflicts around the world, could cause disruptions in our business or the businesses of our partners or the economy as a whole. In the event of a natural disaster, including a major earthquake, blizzard, or hurricane, or a catastrophic event such as a fire, power loss, or telecommunications failure, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in development of our platform, lengthy interruptions in service, breaches of data security, and loss of critical data, all of which could have an adverse effect on our future operating results. We do not maintain insurance sufficient to compensate us for the potentially significant losses that could result from disruptions to our services. Additionally, all the aforementioned risks may be further increased if we do not implement a disaster recovery plan or our partners’ disaster recovery plans prove to be inadequate. To the extent natural disasters or other catastrophic events concurrently impact data centers we rely on in connection with private key restoration, customers will experience significant delays in withdrawing funds, or in the extreme we may suffer loss of customer funds.

The requirements of being a public company, including maintaining adequate internal control over our financial and management systems, may strain our resources, divert management’s attention, and affect our ability to attract and retain executive management and qualified board members.

As a public company we incur significant legal, accounting, and other expenses. We are subject to reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, the rules subsequently

implemented by the SEC, the rules and regulations of the listing standards of The Nasdaq Stock Market LLC (“Nasdaq”) and other applicable securities rules and regulations. Stockholder activism, the current political and social environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which will likely result in additional compliance costs and could impact the manner in which we operate our business in ways we cannot currently anticipate. Compliance with these rules and regulations may strain our financial and management systems, internal controls, and employees. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. Moreover, the Sarbanes-Oxley Act of 2002 requires, among other things, that we maintain effective disclosure controls and procedures, and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures, and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. If we encounter material weaknesses or deficiencies in our internal control over financial reporting, we may not detect errors on a timely basis and our Condensed Consolidated Financial Statements may be materially misstated. Effective internal control is necessary for us to produce reliable financial reports and is important to prevent fraud.

We have incurred and expect to continue to incur significant expenses and devote substantial management effort toward ensuring compliance with the annual auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management’s attention may be diverted from other business concerns, which could harm our business, operating results, and financial condition. Although we have already hired additional employees to assist us in complying with these requirements, our finance team is small and we may need to hire more employees in the future, or engage outside consultants, which will increase our operating expenses.

We might require additional capital to support business growth, and this capital might not be available.

We have funded our operations since inception primarily through equity financings, debt and cash flows generated from operations. We cannot be certain that our operations will continue to fund our ongoing operations or the growth of our business. We intend to continue to make investments in our business, including developing new products and services, enhancing our operating infrastructure, expanding our international operations, and acquiring complementary businesses and technologies, all of which may require us to secure additional funds. Additional financing may not be available on terms favorable to us, if at all, including due to general macroeconomic conditions, crypto market conditions and any disruptions in the crypto market, instability in the global banking system, increasing regulatory uncertainty and scrutiny or other unforeseen factors. In the event of a downgrade of our credit rating, our ability to raise additional financing may be adversely affected and any future debt offerings or credit arrangements we propose to enter into may be on less favorable terms or terms that may not be acceptable to us. In addition, even if debt financing is available, the cost of additional financing may be significantly higher than our current debt. If we incur additional debt, the debt holders would have rights senior to holders of our common stock to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, we have authorized the issuance of “blank check” preferred stock and common stock that our board of directors could use to, among other things, issue shares of our capital stock in the form of blockchain tokens, implement a stockholder rights plan, or issue other shares of preferred stock or common stock. We may issue shares of capital stock, including in the form of blockchain tokens, to our customers in connection with customer reward or loyalty programs. If we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our currently authorized and issued common stock. We do not currently have any specific plans to issue shares of our capital stock in the form of blockchain tokens. The trading prices for our common stock may be highly volatile, which may reduce our ability to access capital on favorable terms or at all. In addition, a slowdown or other sustained adverse downturn in the general economic or crypto asset markets could adversely affect our business and the value of our Class A common stock. Because our decision to raise

capital in the future will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuances of securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our Class A common stock and diluting their interests. Our inability to obtain adequate financing or financing on terms satisfactory to us, when we require it, could significantly limit our ability to continue supporting our business growth and responding to business challenges.

Risks Related to Ownership of Our Class A Common Stock

The market price of our Class A common stock may be volatile, and could decline significantly and rapidly. Market volatility may affect the value of an investment in our Class A common stock and could subject us to litigation.

Prior to the listing of our Class A common stock on Nasdaq, there was no public market for shares of our Class A common stock. Technology stocks have historically experienced high levels of volatility. The market price of our Class A common stock also could be subject to wide fluctuations in response to the risk factors described in this Quarterly Report on Form 10-Q and others beyond our control, including:

- the number of shares of our Class A common stock publicly owned and available for trading;
- overall performance of the equity markets or publicly-listed financial services and technology companies;
- our actual or anticipated operating performance and the operating performance of our competitors;
- changes in the projected operational and financial results we provide to the public or our failure to meet those projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- any major change in our board of directors, management, or key personnel;
- if we issue additional shares of capital stock, including in the form of blockchain tokens, in connection with customer reward or loyalty programs;
- issuance of shares of our Class A common stock, whether in connection with an acquisition or upon conversion of some or all of our outstanding 2026 Convertible Notes and 2030 Convertible Notes;
- repurchases by us of any of our outstanding shares of Class A common stock, including under the Share Repurchase Program, on unfavorable terms or at all;
- the highly volatile nature of the cryptoeconomy and the prices of crypto assets;
- rumors and market speculation involving the cryptoeconomy or us or other companies in our industry;
- announcements by us or our competitors of significant innovations, new products, services, features, integrations or capabilities, acquisitions, strategic investments, partnerships, joint ventures, or capital commitments; and
- other events or factors, including those resulting from political instability and acts of war or terrorism, regional conflicts around the world, government shutdowns, bank failures or responses to these events.

Furthermore, the stock market has recently experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies and financial services and technology companies in particular. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general macroeconomic, political and market conditions such as recessions,

interest rate changes, or international currency fluctuations, may negatively impact the market price of our Class A common stock. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We are currently subject to stockholder litigation and in June 2023 the SEC filed the June 2023 SEC Complaint, as described in the section titled “Legal Proceedings” in Part II, Item 1 of this Quarterly Report on Form 10-Q, and may continue to be the target of these types of actions or additional regulatory uncertainty and scrutiny in the future. Securities or regulatory actions against us could result in substantial costs and divert our management’s attention from other business concerns, which could harm our business.

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders, including our directors, executive officers, and 5% stockholders, and their respective affiliates. As a result of this structure, our Chief Executive Officer has control over key decision making as a result of his control of a majority of our voting stock. This ownership will limit or preclude your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Our Class B common stock has twenty votes per share, and our Class A common stock has one vote per share. Mr. Armstrong is currently able to exercise voting rights with respect to a majority of the voting power of our outstanding capital stock and, along with our directors, other executive officers, and 5% stockholders, and their affiliates, these stockholders hold in the aggregate a substantial majority of the voting power of our capital stock. Because of the twenty-to-one voting ratio between our Class B common stock and our Class A common stock, the holders of our Class B common stock, including Mr. Armstrong, collectively are expected to continue to control a significant percentage of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval until the earliest to occur of (i) the date fixed by the board of directors that is no less than 61 days and no more than 180 days after the date that the aggregate number of shares of Class B common stock held by Brian Armstrong and his affiliates is less than 25% of the aggregate number of shares of Class B common stock held by Mr. Armstrong and his affiliates on April 1, 2021, the date of effectiveness of the registration statement on Form S-1 for the listing of our Class A common stock on Nasdaq; (ii) the date and time specified by affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Class B common stock, voting as a single class, and the affirmative vote of at least 66-2/3% of the then serving members of our board of directors, which must include the affirmative vote of Mr. Armstrong, if either (A) Mr. Armstrong is serving on our board of directors and has not been terminated for cause or resigned except for good reason (as each term is defined in our restated certificate of incorporation) from his position as our Chief Executive Officer or (B) Mr. Armstrong has not been removed for cause or resigned from the position of Chairman of the board of directors; and (iii) the death or disability (as defined in our restated certificate of incorporation) of Mr. Armstrong, when all outstanding shares of Class B common stock will convert automatically into shares of Class A common stock. Holders of our Class A common stock are not entitled to vote separately as a single class except under certain limited circumstances. This concentrated control may limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may believe are in your best interest as one of our stockholders. In addition, Mr. Armstrong has the ability to control the management and major strategic investments of our company as a result of his position as our Chief Executive Officer and his ability to control the election or replacement of our directors. As a board member and officer, Mr. Armstrong owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Armstrong is entitled to vote his shares, and shares over which he has voting control, in his own interests, which may not always be in the interests of our stockholders generally.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock, including Mr. Armstrong, who retain their shares in the long term. Moreover, it is possible that one or more of the persons or entities holding our Class B common stock could gain significant voting control as other holders of Class B common stock sell or otherwise convert their shares into Class A common stock.

The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.

Certain stock index providers exclude companies with multiple classes of shares of common stock from being added to certain stock indices. In addition, several stockholder advisory firms and large institutional investors oppose the use of multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A common stock in such indices, may cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure, and may result in large institutional investors not purchasing shares of our Class A common stock. Any exclusion from stock indices could result in less demand for our Class A common stock. Any actions or publications by stockholder advisory firms or institutional investors critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock.

Sales or distribution of substantial amounts of our Class A common stock, or the perception that such sales or distributions might occur, could cause the market price of our Class A common stock to decline.

The sale or distribution of a substantial number of shares of our Class A common stock, particularly sales by us or our directors, executive officers, and principal stockholders, or the perception that these sales or distributions might occur in large quantities, could cause the market price of our Class A common stock to decline.

In addition, we have filed a registration statement to register shares reserved for future issuance under our equity compensation plans. All of the shares of Class A common stock and Class B common stock issuable upon the exercise of stock options or vesting and settlement of restricted stock units and performance restricted stock units will be able to be freely sold in the public market upon issuance, subject to applicable vesting requirements and compliance by affiliates with Rule 144 under the Securities Act.

Further, certain holders of shares of our common stock will have rights, subject to some conditions, to require us to file registration statements for the public resale of shares of Class A common stock or to include such shares in registration statements that we may file for us or other stockholders. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the market price of our Class A common stock to decline or be volatile.

We also may issue our capital stock or securities convertible into our capital stock, including in the form of blockchain tokens, from time to time in connection with a financing, an acquisition, investments, pursuant to customer rewards, loyalty programs, and other incentive plans, or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the market price of our Class A common stock to decline.

If securities or industry analysts do not publish or cease publishing research, or publish inaccurate or unfavorable research, about our business, the price of our Class A common stock and its liquidity could decline.

The trading market for our Class A common stock may be influenced by the research and reports that securities or industry analysts publish about us or our business, our market, and our competitors. We do

not have any control over these analysts. If securities and industry analysts cease coverage of us altogether, the market price for our Class A common stock may be negatively affected. If one or more of the analysts who cover us downgrade our Class A common stock, or publish inaccurate or unfavorable research about our business, the price of our Class A common stock may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline. In light of the unpredictability inherent in our business, our financial outlook commentary may differ from analysts' expectations, which could cause volatility to the price of our Class A common stock.

We cannot guarantee that the Share Repurchase Program will be fully consummated or that such program will enhance the long-term value of our Class A common stock price.

In October 2024, our board of directors authorized and approved the Share Repurchase Program, which provides for the repurchase of up to \$1.0 billion of our outstanding Class A common stock without expiration. Repurchases may be made from time to time in the open market (including through trading plans intended to qualify under Rule 10b5-1 under the Exchange Act), in privately negotiated transactions, or by other methods in accordance with the applicable federal and state laws and regulations. The timing of any repurchases will depend on market conditions and will be made at our discretion. The Share Repurchase Program does not obligate us to repurchase any dollar amount or number of shares of our Class A common stock, and the program may be modified, suspended, or discontinued at any time.

The Share Repurchase Program could affect the price of our Class A common stock and increase the volatility thereof. Price volatility may cause the average price at which we repurchase our Class A common stock in a given period to exceed the stock's price at a given point in time. There can be no assurance that the Share Repurchase Program will have a positive impact on our Class A common stock price or earnings per share. Important factors that could cause us to discontinue or decrease share repurchases under the Share Repurchase Program include, among others: unfavorable market conditions; the market price of our Class A common stock; the nature of other investment or strategic opportunities presented to us from time to time; our ability to make appropriate, timely, and beneficial decisions as to when, how, and whether to repurchase shares under the Share Repurchase Program; and the availability of funds necessary to fulfill such repurchases.

We are not obligated to, and do not intend to pay dividends on any class of our common stock for the foreseeable future.

We have never declared or paid any cash dividends on any class of our common stock, are not obligated to pay, and do not intend to pay any cash dividends in the foreseeable future. We anticipate that for the foreseeable future we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors.

Our payment of any dividends will be subject to contractual and legal restrictions and other factors that our board of directors deems relevant. Moreover, agreements governing any future indebtedness of ours may further limit our ability to pay dividends. In addition, our ability to pay dividends is limited by law. There is no assurance that we will be able or that our board of directors will decide to declare any dividends on any class of our common stock.

Accordingly, investors may have to rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Provisions in our charter documents and under Delaware law, and certain rules imposed by regulatory authorities, could make an acquisition of us, which may be beneficial to our stockholders, more difficult, limit attempts by our stockholders to replace or remove our current management, limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees, and limit the price of our Class A common stock.

Provisions in our restated certificate of incorporation and restated bylaws may have the effect of delaying or preventing a merger, acquisition, or other change of control of our company that the stockholders may consider favorable. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Our restated certificate of incorporation and restated bylaws include provisions that:

- permit our board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorize the issuance of "blank check" preferred stock and common stock that our board of directors could use to implement a stockholder rights plan or issue other shares of preferred stock or common stock, including blockchain tokens;
- provide that only our Chief Executive Officer, the chairperson of our board of directors, or a majority of our board of directors will be authorized to call a special meeting of stockholders;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit cumulative voting;
- provide for a dual class common stock structure in which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A common stock and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- provide that the board of directors is expressly authorized to make, alter, or repeal our restated bylaws; and
- provide for advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, Section 203 of the Delaware General Corporation Law (the "DGCL") may discourage, delay, or prevent a change of control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between holders of 15% or more of our common stock and us.

In addition, a third party attempting to acquire us or a substantial position in our common stock may be delayed or ultimately prevented from doing so by change in ownership or control regulations to which our regulated broker-dealer subsidiaries are subject. FINRA Rule 1017 generally provides that FINRA approval must be obtained in connection with any transaction resulting in a single person or entity owning, directly or indirectly, 25% or more of a member firm's equity and would include a change of control of a parent company.

Our restated certificate of incorporation contains an exclusive forum provision for certain claims, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our restated certificate of incorporation, to the fullest extent permitted by law, provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim that is based upon a breach of fiduciary duty; any action asserting a claim against us or any current or former director, officer, stockholder, employee or agent of ours, arising pursuant to the DGCL, our restated certificate of incorporation, or our restated bylaws; any action asserting a claim against us that is governed by the internal affairs doctrine; or any action asserting an "internal corporate claim" as defined in Section 115 of the DGCL.

Moreover, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all claims brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder and our restated certificate of incorporation provides that the federal district courts of the United States of America are, to the fullest extent permitted by law, the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, or a Federal Forum Provision, unless we consent in writing to the selection of an alternative forum. Our decision to adopt a Federal Forum Provision followed a decision by the Supreme Court of the State of Delaware holding that such provisions are facially valid under Delaware law. While there can be no assurance that federal or state courts will follow the holding of the Delaware Supreme Court or determine that the Federal Forum Provision should be enforced in a particular case, application of the Federal Forum Provision means that suits brought by our stockholders to enforce any duty or liability created by the Securities Act must be brought in federal court and cannot be brought in state court. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all claims brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. The Federal Forum Provision applies to suits brought to enforce any duty or liability created by the Exchange Act to the fullest extent permitted by law. Accordingly, actions by our stockholders to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder must be brought in federal court. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities will be deemed to have notice of and consented to our exclusive forum provisions, including the Federal Forum Provision. These provisions may limit our stockholders' ability to bring a claim in a judicial forum they find favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. Alternatively, if a court were to find the choice of forum provision contained in our restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results, and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

The Company's directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) are only permitted to trade in the Company's securities pursuant to a prearranged trading plan intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act (a "Rule 10b5-1 Plan"). During the three months ended September 30, 2024, two of the Company's non-employee directors and three of the Company's officers adopted a Rule 10b5-1 Plan. All such Rule 10b5-1 Plans were entered into during an open trading window in accordance with the Company's Insider Trading Policy and Trading Plan Policy.

On August 25, 2024, Frederick Ernest Ehram III, a member of the Company's board of directors, entered into a Rule 10b5-1 Plan (the "Ehram Plan") providing for the potential sale of up to 866,122 shares of Class A common stock issuable upon the conversion of shares of the Class B common stock owned by The Frederick Ernest Ehram III Living Trust, of which Mr. Ehram is trustee, so long as the market price of the Class A common stock satisfies certain threshold prices specified in the Ehram Plan, between an estimated start date of November 25, 2024 and May 27, 2025, or earlier, upon the completion of all transactions subject to the trading arrangements specified in the Ehram Plan or the occurrence of certain events set forth therein.

On August 8, 2024, Fred Wilson, a member of the Company's board of directors, entered into a Rule 10b5-1 Plan (the "Wilson Plan") providing for the potential sale of up to 50,000 shares of Class A common stock owned by The Fred and Joanne Wilson 2012 Delaware Trust, of which Mr. Wilson's spouse is grantor, so long as the market price of the Class A common stock satisfies certain threshold prices specified in the Wilson Plan, between an estimated start date of November 7, 2024 and November 4, 2026, or earlier, upon the completion of all transactions subject to the trading arrangements specified in the Wilson Plan or the occurrence of certain events set forth therein.

On August 15, 2024, Brian Armstrong, the Company's Chief Executive Officer and a member of the Company's board of directors, entered into a Rule 10b5-1 Plan (the "Armstrong Plan") providing for the potential sale of up to 3,750,000 shares of Class A common stock issuable upon the conversion of shares of the Class B common stock owned by The Brian Armstrong Living Trust, of which Mr. Armstrong is trustee, so long as the market price of the Class A common stock satisfies certain threshold prices specified in the Armstrong Plan, between an estimated start date of November 18, 2024 and November 14, 2025, or earlier, upon the completion of all transactions subject to the trading arrangements specified in the Armstrong Plan or the occurrence of certain events set forth therein.

On August 28, 2024, Paul Grewal, the Company's Chief Legal Officer and Secretary, entered into a Rule 10b5-1 Plan (the "Grewal Plan") providing for the potential sale of up to 151,005 shares of Class A common stock owned by Mr. Grewal, including upon the vesting and settlement of restricted stock units for shares of Class A common stock and the exercise of vested stock options for shares of Class A common stock, so long as the market price of the Class A common stock is higher than certain minimum threshold prices specified in the Grewal Plan or, in certain circumstances, at the market price, between an estimated start date of December 2, 2024 and December 2, 2025. The Grewal Plan provides for the sale of shares of Class A common stock to be received upon the future vesting and settlement of certain outstanding restricted stock units, net of any shares withheld or mandatorily sold by the Company to satisfy applicable tax obligations. The number of shares to be withheld or mandatorily sold by the Company, and therefore the exact number of shares to be sold pursuant to the Grewal Plan, can only be determined upon the occurrence of the future vesting events. For purposes of this disclosure, we have included the maximum aggregate number of shares to be sold without subtracting any shares to be withheld or mandatorily sold by the Company upon future vesting events.

On August 29, 2024, Alesia Haas, the Company's Chief Financial Officer, entered into a Rule 10b5-1 Plan (the "Haas Plan") providing for the potential sale of (a) up to 153,896 shares of Class A common stock owned by Ms. Haas and ACB 2021, LLC, of which Ms. Haas is sole member, and (b) the number of shares of Class A common stock necessary to cover the exercise price, taxes, commissions and fees associated with the exercise of stock options owned by Ms. Haas for up to 686,873 shares of Class A common stock and Class B common stock, in each case, so long as the market price of the Class A common stock satisfies certain threshold prices specified in the Haas Plan, between an estimated start date of January 2, 2025 and December 31, 2025, or earlier, upon the completion of all transactions subject to the trading arrangements specified in the Haas Plan or the occurrence of certain events set forth therein.

ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted as in iXBRL and contained in Exhibit 101					X

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act of the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COINBASE GLOBAL, INC.

Date: October 30, 2024

By: /s/ Brian Armstrong
Brian Armstrong
Chief Executive Officer and Director
(Principal Executive Officer)

Date: October 30, 2024

By: /s/ Alesia J. Haas
Alesia J. Haas
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT
TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Brian Armstrong, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Coinbase Global, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
-

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

/s/ Brian Armstrong

Brian Armstrong

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT
TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Alesia J. Haas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Coinbase Global, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
-

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

/s/ Alesia J. Haas

Alesia J. Haas

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Coinbase Global, Inc., a Delaware corporation (the “Company”), for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Brian Armstrong, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2024

/s/ Brian Armstrong

Brian Armstrong

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Coinbase Global, Inc., a Delaware corporation (the “Company”), for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Alesia J. Haas, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2024

/s/ Alesia J. Haas

Alesia J. Haas

Chief Financial Officer

(Principal Financial Officer)