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Circle Internet Group Inc.

Q2 2026 Analyst Call

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CORPORATE SPEAKERS:

Scott Blair
Circle Internet Group Inc.; Head of Strategic Finance
Jeremy Allaire
Circle Internet Group Inc.; Co-Founder, Chairman and Chief Executive Officer
Jeremy Fox-Geen
Circle Internet Group Inc.; Chief Financial Officer
Heath Tarbert
Circle Internet Group Inc.; President

PARTICIPANTS:

James Friedman
Susquehanna International Group; Analyst
Cassie Chan
Wells Fargo; Analyst
Joseph Vafi
Canaccord Genuity; Analyst
Alex Markgraff
KBCM; Analyst
Brian Bergen
TD Cowen; Analyst
Pete Christiansen
Citi; Analyst
Jeff Cantwell
Seaport Research; Analyst
Madison Suhr
Raymond James; Analyst
John Todaro
Needham & Company; Analyst
Ed Engel
Compass Point Research & Trading, LLC; Analyst
Michael Kim
Bloomberg; Analyst
James Faucette
Morgan Stanley; Analyst
Jacob Haggarty
Baird; Analyst
Kenneth Suchoski
Autonomous Research; Analyst

Circle Internet Group Inc.

Q2 2026 Analyst Call

PRESENTATION:

Operator: Hello everyone, thank you for joining us and welcome to the Circle Internet Q2 2026 Sell Side Analyst Group Callback. After today's prepared remarks, we will host a question-and-answer session. (Operator Instructions)

I will now hand the comments over to Scott Blair, Head of Strategic Finance. Scott, please go ahead.

Scott Blair: Thank you, Operator. Good afternoon, everyone, and welcome to our Q2 Analyst Call. Before we dive in, I need to remind everyone that this call may contain statements that are forward-looking. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. Information concerning risks, uncertainties, and other factors that could cause these results to differ is included in our SEC filings. Additionally, nothing in this presentation constitutes an offer to sell or a solicitation of an offer to buy securities or an invitation or inducement to engage in investment activity.

We will also disclose non-GAAP financial measures on this call today. Definitions of those non-GAAP financial measures and reconciliations can be found in the earnings release and earnings presentation, which are posted on investor.circle.com. Non-GAAP financial measures should be considered in addition to, not as a substitute for, GAAP measures.

Today I'm joined by Jeremy Allaire, our co-founder, CEO, and Chairman, Jeremy Fox-Geen, our CFO, and Heath Tarbert, our President. With that, I'd like to turn it back to the operator to kick us off.

QUESTIONS:

Operator: Thank you. We will now begin the question-and-answer session. Please limit yourself to one question and one follow-up. (Operator Instructions) Please stand by while we compile the Q&A roster. Your first question comes in the line of James Friedman with Susquehanna International Group.

James, your line is open. Please go ahead.

James Friedman: Hi. Good afternoon. Good morning. Thanks for the opportunity. I was interested in your perspective on the purchase of the IBM patent portfolios. I know -- my guess is there are a lot of patents in there. I tried to look some of them up. But at a very high level, could you give us the spirit of what those were about, what the ongoing relationship might look like with you and IBM, and how those enable you to deliver some of your future product roadmap? Thank you.

Heath Tarbert: Yes. This is Heath Tarbert, the President. Thank you very much for that question, James. IBM has had a very, very large patent portfolio spanning all sorts of various technologies in the blockchain space. Of course you may recall a few years ago, Circle bought all the meta patents that were part of the Libra project. Circle believes, just as we're a regulatory-first company, we're also a legal-first company, believe in the power of intellectual property. Those patents, I think obviously provide us with a very sound defensive stance in the future, should we need them, but also the possibility of, down the line, using those patents if we believe they're infringed. And so again it's just one more, I think in our view, thoughtful investment to make sure that Circle is the (inaudible) leader in this space.

Jeremy Allaire: Yes, in terms of IBM and their specific blockchain strategy, et cetera., my own view -- this is Jeremy Allaire -- my own view is that the patent transaction is not tied to some broader set of strategic imperatives at IBM around this, but is more of a tactical component of their strategy.

James Friedman: Yes. Those both make a lot of sense. Can I just ask, do you anticipate having an ongoing relationship with IBM? I'm just throwing this out there on the consulting side. Obviously they have great depth in consulting, especially into the Fortune 500. Will there be an ongoing relationship between the two companies going forward, or is it just this transaction?

Jeremy Allaire: What I can say on that is we're obviously exploring commercial opportunities with IBM. IBM, as you've noted, has a significant presence globally, a significant presence from a professional services perspective. Like Circle, IBM is putting a lot of emphasis on the applications of artificial intelligence. Obviously we're promulgating key technology for agentic economic activity. All I can really say is we are exploring commercial opportunities together. Thank you for the question.

James Friedman: Great. I'll drop back in the queue. Thank you, both.

Jeremy Allaire: Thank you.

Operator: Your next question comes in the line of Cassie Chan with Wells Fargo. Your line is open. Please go ahead.

Cassie Chan: Hi, guys. Can you hear me?

Jeremy Allaire: Yes.

Cassie Chan: Okay. Perfect. Thanks for taking my question. My first question is just I wanted to follow up a little bit about the Federal Bank Charter. Nice to see that. I guess are you expecting anything from Circle National Trust, whether that's impacting any parts of the P&L in '26 or more of a '27 thing? Just I guess overall, strategically, how does this position circle better in the broader financial infrastructure landscape? Are there new revenue streams that this unlocks for institutional custody, et cetera? How should we think about that? Thank you. Then I have a follow-up.

Jeremy Allaire: Sure. I'm happy to take that. As we talked about in the earnings call, we think about Circle National Trust as an infrastructure bank for the internet financial system. The initial operations, we have gone operational on the trust bank. The initial operations are actually supporting digital asset custody operations.

As more and more financial institutions build on top of Circle's infrastructure, where they're integrating stablecoins into financial applications, those could be the kinds of financial applications that you're seeing built on Arc, but more generally, tokenized assets, payments and settlement applications. Circle provides infrastructure for infrastructure as well as point and click infrastructure for holding digital assets, including stablecoins, including other digital assets, such as Bitcoin. Also, we see opportunities in tokenization more broadly. As more and more assets become tokenized, we want to be able to custody those as well.

As an infrastructure bank, it's that digital asset custody infrastructure with all the safeguards that come along with it that is very important. I think that is just helpful as we forge more and more partnerships with large enterprises, with other financial institutions, not just domestically but globally, because facing off against an entity that has that set of underlying assurances is very helpful. To some degree, it gets into another part of your question, which is, I think on an indirect basis, this is very important to our ability to continue to win partnerships with the world's leading companies.

I think it supports that and that helps grow the strength of USDC and our stablecoin network. It helps get more people building and issuing assets on Arc. It helps get more banks comfortable plugging into things like CPN for payments and settlement. It's additive as a key piece of infrastructure there. The second piece is that the National Trust Bank also has been approved to take on components of the USDC reserves. That's also important.

As you know, the GENIUS Act goes effective in January of 2027. We will come under OCC supervision as part of that and now by operating the OCC-regulated National Trust Bank and being able to put aspects of the USDC reserve and reserve operations there, that strengthens our position as a federally regulated stablecoin issuer as well, again strengthening the core business. I would just say just generally, there's not a specific steer here on specific incremental revenue or incremental fee revenue.

Obviously we'll continue to evaluate capabilities as we launch them, but as a trust bank that's providing those trust services to Circle affiliates and to other Circle products, many of those products themselves have monetization tied to them. It strengthens those products directly as well.

Cassie Chan: Got it. Okay that's really helpful. Then I just want to follow up on the Arc pre-sale for the token. I know you guys quantified that as $160 million, sorry, $180 million. Is that mainly impacting the full quarter in 3Q or should we expect some of that to drip into 4Q? It sounds like, and I know you guys talked about the last quarter, that all flows through margins, but can you just talk us through some of the other P&L impacts that we should be expecting?

Then when we think about next year, is it growing off of, call it that $130 million to $150 million underlying base plus the additional $60 million that you're expecting from the rest of the Arc token pre-sales and about 75% was done this year? Thank you.

Jeremy Fox-Geen: Yes. I'll take that and thank you for the question. As it comes to the Arc token pre-sale, I'll talk revenue recognition and P&L impact first, then timing. The Arc token pre-sale, we've conducted a $242 million pre-sale, which has concluded and we recognize revenue for that according to a series of product milestones, which will occur in sequence and slightly oversimplifying, but not by much.

You might think of that as minting the token, delivering the token, Arc moving to the proof of authority consensus mechanism and Arc moving to the proof of stake consensus mechanism. That's a simplification, but broadly, that's the direction to think about this. This is a series of product milestones. We have them in our roadmap. The timing of all of those is in some ways within our control, but there's always exogenous factors and we want to make sure that we have the flexibility to do this right because it's so important. What we put in our guide and shared is that we expect to recognize $180 million of that revenue in the second half.

We're not commenting as to which of the two quarters and how much in each of the quarters it'll come. We'll just have to wait and see or rather the world will have to wait and see for that as these product milestones are achieved. That's the token pre-sale revenue recognition.

As far as it hits the P&L, revenue from token sales, it will hit revenue. That will then hit RLDC margin with zero distribution transaction and other costs. There's no operating costs related to it either. That will drop down from RLDC through the operating income. Obviously there's a taxable effect before it hits net income, but effectively, that drops straight forward to the bottom line. As you think about other revenue more broadly for 2027, your supposition of yes, there is more pre-sale revenue to come, that if we only recognize the $180 million in the second half, there will obviously be the rest of that to be recognized in 2027.

Jeremy Allaire: One other comment, this is Jeremy Allaire. I just wanted to add one comment for you as well, which is that as we've talked about as well, Arc itself, as it launches and goes through evolution into a proof of stake network as well, there are multiple components to revenue that we'll see in the future from Arc. There's transaction fee revenue from the network itself and that's transaction fee revenue that is the transactions that are paid in USDC for using the Arc operating system.

That flows to validators. As noted, Circle is a key participant in the validator set and other firms, which we announced today are part of that initial validator cohort. They too have the opportunity to participate in that transaction revenue.

Then there's future staking revenue, but the network needs to evolve into its proof of stake status. Then there's obviously also Arc token incentive relationships, which I think in the prior discussions Jeremy talked about as well. There are multiple facets and then there's other products and services that we're building on top of Arc, which are opportunities for us as well.

Jeremy Fox-Geen: Lots of opportunities for 2027 in particular. We'll be talking more about those as we come towards talking about our guidance for 2027.

Cassie Chan: That's helpful. Thank you.

Operator: Your next question comes from the line of Joseph Vafi with Canaccord Genuity. Your line is open. Please go ahead.

Joseph Vafi: Hey guys. Good afternoon. Thanks for the question. Just maybe as a follow-up there on Arc. I know we're maybe a month or so away from launch. I know you've done the ICO or the pre-sale, not the ICO, but how should we be thinking about kind of the tokenomics model of the Arc token? Maybe if you want to kind of compare and contrast your philosophy there versus some of these other transaction and TradFi purpose-built blockchains like Canton, it'd be helpful to get a view on that.

Is there a burn mint? I mean it looks like you're going to be using USDC, but is there any other use for the Arc token? Just some broad comments here. I know there's a lot to unpack there and probably part of that becomes the guide for next year, but just some initial thoughts. Thanks.

Jeremy Allaire: Sure. I'm happy to take that. This is Jeremy Allaire. The first thing is I will point you to the Arc token white paper, which we published publicly several months ago alongside our last earnings call, in fact, and the Arc token white paper provides a roadmap for what we are executing with Arc token, the role it plays economically on the network, the role it plays in the underlying transaction fee accrual, the role it plays in staking and governance, and as well as the distribution approach that we are taking with it, both with the pre-sale token stakeholders, Circle as a 25% stakeholder, and then the other broader buckets that will be used in ecosystem and other development.

There is detail in that white paper, which I will not recite in detail here, but there is detail in that white paper about the underlying kind of monetary mechanism that exists, that is proposed, and that monetary mechanism ensuring a certain inflation rate as well as the ability to have effectively a decline in token supply based on transactional activity over time. Again there's details that you can read at a high level about that, but it will become a key token in the staking security of the network over time, as outlined in the white paper.

Again we haven't provided a timeline for when we'll make that migration from proof of authority, which is what the main net launch will be, to proof of stake. That will happen when it's ready, and we're doing that collaboratively with all of the other key infrastructure partners that are there operating the validator infrastructure alongside Circle as well. So, that's a little bit there, and again I would point you at what we publicly published for more detail there.

Joseph Vafi: Great. Thanks, Jeremy. Then, just as a quick follow-up, I think on the main call this morning, Jeremy Allaire, I think you kind of alluded to perhaps transaction fees ramping on CPN. I was wondering if there's any other color you can provide there. Is there going to be kind of a switch in terms of pricing getting turned on or other catalysts that may precipitate that transaction fee ramp there? Thank you.

Jeremy Allaire: Sure. Yes. I'm happy to talk about that. So, I think we've tried to be really consistent in how we talk about the monetization strategy with CPN. You know, CPN, as you know, it is a de novo payment network that we launched just a year or so ago, and I think one of the really unique things about CPN is that it's a multilateral network. So, it's not just a service Circle is providing. It's actually a multilateral network that members join and members connect to.

Now, there are product SKUs that are part of the CPN product family that are directly consumable by customers that sign up for CPN-related products. But our goal in building the network has been to really ensure that our focus is on getting network effects and scale. So we've really prioritized how do we get more financial institutions on the network? How do we get more flows on the network? How do we bring more geographies on the network? And as we've demonstrated every single quarter, we're making really steady progress.

As noted on the call this morning, as of July 31st, we were looking at about $23 billion of annualized total payment volume on a trailing 30-day basis. That's up 130% since the last time we spoke to the street in earnings. So, as I did note, and as you identified, we are beginning to introduce monetization, but I think our general bias is, while $23 billion of annualized volume is great, our ambitions are much, much higher, both in terms of the scale of financial institution participation and the ultimate scale of the network.

And so, while we will begin to monetize different SKUs that are part of the CPN product family, and those SKUs have both transaction fee and other forms of pricing attached to them, our general bias is towards scale as opposed to revenue. So that's at a very high level of how we're looking at it, but as we get into 2027, I think we'll be able to talk in a much more fulsome way on that topic.

Joseph Vafi: Great. Thanks very much, Jeremy.

Operator: Please note, in order to get through as much of the line as possible, please limit yourself to one question. Your next question comes from Alex Markgraff with KBCM. Your line is open. Please go ahead.

Alex Markgraff: Hi, guys. Actually, just wanted to follow up on CPM, but more so on the volume side. The steepness of the curve is, or I should say the curve is sort of getting steeper as we look at this annualized TPV metric that you all have been sharing. Maybe just some comments as to sort of what's driving that steepening and any particular catalysts that have shown up in the last couple of months, just as we look at that attraction there.

Jeremy Allaire: Yes. So, I'd say a couple things. I mean I think there's several things going on. I think one is we -- part of a network like this is the more participants that you have on the network and the more kind of distribution points that you have on the network, the more you get the benefits of network effects. So I think we are seeing some benefits from just more participants, which drives more utility for members that join. I think a second piece is the product footprint.

We have, and we announce a lot of this stuff publicly through our social media handles and on our website, but we have had a very steady stream of significant product releases as part of the CPN product. The time it takes for us to get a financial institution to go from evaluation to integration to implementation is shortening. The tooling that's there for operating on the network is getting more seamless. And so, product velocity and operational velocity is also supporting some of that growth.

I would just continue to characterize that a lot of the success is coming from global payments. It's coming from payouts around the world, and it's coming from cross-border settlements. There's a lot of an emerging market activity in that arena as well, which is also leaning into the strength of dollar stable coins on an emerging market basis as well. So, those are some of the things that I think we're seeing contributing to the CPN growth and success. Obviously we want to try and continue to see that happen.

Alex Markgraff: Great. Thank you.

Operator: Your next question comes from the line of Brian Bergen with TD Cowen. Your line is open. Please go ahead.

Brian Bergenf: Hi. Good afternoon. Thanks for taking the question here. So the question here just is related to kind of the other revenue streams. If we adjust for the Arc token sale for the year, I think the balance of the other revenue comes down. Understanding you've got some intentional actions to de-emphasize other blockchain partnerships.

I'm just curious, is that entirely the driver of that reduction versus perhaps uncontrollable kind of reduced activity due to lower crypto and digital asset markets? And beyond that, as we think about the other revenue base, just trying to get what may remain at risk just as you prioritize Arc, versus these other relationships so that we have a better understanding of kind of a rough foundation off of which to build that future growth to.

Jeremy Fox-Geen: Great. Thank you for the question. I'll take that. I mean when we set the original guidance range, we took a conservative view on contribution from other products. That's sort of the first point. The second point, as we said on the call earlier, as you noted in your question, we also made a strategic decision to focus resources on the development of Arc instead of an additional blockchain partnerships.

And we noted that there was also moderation in the commercial opportunity with new blockchain partners, reflecting softer digital asset markets that you also noted in your question. So all three of those factors contribute to that new other revenue XArc component of the guide. The removal of any conservative number from the Arc product in the first place, a strategic decision. And as you noted in your question, the broader softness within the digital asset markets.

Brian Bergenf: Understood. Thank you.

Operator: Your next question comes from the line of Pete Christiansen with Citi. Your line is open. Please go ahead.

Pete Christiansen: Good afternoon. Thanks, guys. Appreciate this call. My question is on the Hyperliquid comments that Jeremy Allaire made. You referenced it as a liquidity supernova with several network effects and that sort of thing. Just wondering if you can give us maybe some examples there that we can get a better understanding of that statement there. I guess as RWA trading maybe becomes a larger portion of the overall mix versus crypto perpetuals, should we think of the collateral intensity associated with that changing at all?

Jeremy Allaire: Those are really good questions. Happy to take that. So on the liquidity supernova concept, this is something that we've seen historically. And we've seen platforms like Coinbase act as liquidity supernovas, platforms like Binance acting as liquidity supernovas. We see these high-growth platforms like Hyperliquid very similarly.

The basics of that are as follows. Because these are popular applications, and these applications are driving both individual and institutional participation, and they're built on open networks, meaning all this is open public blockchain networks, it creates a preference for users.

That preference then goes from that venue and it cascades out to their wallets. It cascades out to the stored value that they hold in those wallets. And once you've established the liquidity that exists there, then other subsequent products and services, other decentralized protocols, other exchange platforms or brokerage platforms, basically it becomes a lower marginal cost both for the user that is active on those platforms and for those other platforms to just support USDC.

So it has this kind of network. When the capital efficiency is stronger with USDC on these environments, that kind of affects preference for the stablecoin itself. It improves capital efficiency on the whole in the market as well. So we've seen this, and I don't know that we've shared any specific data, but we've sort of seen this kind of measurable spillover that happens between these venues and the rest of the market.

It's not surprising that virtually every other Purps product that's built on-chain, these various types of on-chain Purps products, are all adopting USDC as their primary collateral. And I think that is reflective of the kind of liquidity network effects that happen with that. But that spills into other areas as well, not just trading. I think once you have that working capital preference, then that spills over into the treasury management that people have.

That spills over into settlement preferences. That spills over into borrows and lends, and what working capital they want to borrow and lend and use in the on-chain environment. So it really affects market behavior as a whole. And again, we've seen this since we launched USDC nearly eight years ago. And by getting embedded in some of these key protocols really drove those kinds of network effects. I believe that will continue.

I think the other question about this sort of mix shift, I mean I made a post on social media last week about this. My view is that this flippening, as people say of the majority of perpetual trading volume on Hyperliquid in particular to approaching

75% as real-world assets. To me, it's a very significant shift. It's frankly what we've been building towards for a very long time, which is a belief that digital dollars in finance, in payments, in markets, were going to be critical. And having these markets basically providing price discovery for traditional securities is really powerful.

I think the users of these platforms are obviously experiencing the benefits of globally available, always on 24/7, 365 continuously settled markets. And people like it. They're not going to go back. So in terms of the collateral density, it's a question I don't actually have an answer to. I think the reality is, my own view would be collateral density isn't necessarily different comparing crypto asset perpetuals versus real world asset perpetuals. But I'd be interested in third-party data on that, and we'll take a look at that ourselves.

Pete Christiansen: Fair enough. Thank you.

Operator: Your next question comes from the line of Jeff Cantwell with Seaport Research. Your line is open. Please go ahead.

Jeff Cantwell: Hi, thanks a lot, guys. Just kind of feeling my way through all this information you're providing us with. It's certainly an interesting quarter. Now, when we look back at the results over the past year, total revenue and reserve income growth this quarter. Last year, it was 53%. This year, it was 7%. So the question is, what are you going to do to accelerate growth in total revenue and reserve income, x the Arc token presale revenue? I guess another way of putting that is, what gets you excited to generate incremental revenue over the next 6 to 12 months, and what are the levels you see yourselves as having the ability to pull? Thanks.

Jeremy Allaire: Yes, sure. Thanks for the question. I mean look, I think there's a bunch of things here. I think the first is that, when we look at where the market is today as I said in the beginning of our call today I mean in many respects, we are right in front of exactly the moment that we've been building for over 10 years, which is digital dollars becoming a defined integrated part of the U.S. and global financial system. The world's major financial institutions, major financial infrastructure companies, major payments companies, large enterprises, all making moves to begin to integrate this into their applications. The maturation of the core operating system infrastructure that runs all this to a point where it is sort of central bank supervision ready infrastructure that the world's leading clearing and custody firms can both operate and depend on.

So this is, from my perspective, having been building in this space for 13 years, it's a pretty extraordinary moment. We're very, very constructive about it. When we think about growth, there's obviously macro cyclical dimensions to that. And those macro cyclical dimensions you're very aware of, which are things that we don't control, which is sort of the risk on appetite in digital asset markets or things like that. But what we do control is, are we building the infrastructure that people want to build on? Are we becoming a key purveyor of that infrastructure? Are we getting penetration into more and more major institutional settings?

And ultimately, the TAM that we talk about, which is the mainstream financial system upgrading itself into this new form of money and this new form of operating kind of infrastructure, those are going to be the growth drivers for us. So that's big picture, obviously.

I think the second is, in this environment, and I noted this on the call, we have about 150 distribution partnerships that are partners that are economically incentivized to grow USDC, to distribute USDC, to build on USDC, and that is continuing. What I would say right now is that some of our strongest partners want to double down and they want to go bigger. That's great.

And at the same time, we're seeing major companies who have not been in this space, but who are major companies in their own right, who want to be building in this space and want to build partnerships with Circle and building on USDC. So we're very focused on winning and landing what we consider to be the tentpole partners who are going to be part of the next chapter of growth in this space. So those are the things that are on the controllable side, from my perspective.

Jeff Cantwell: Okay. I appreciate all that. It's really helpful. And a follow-up, can you talk a little bit more about your market share? And particularly, I'm curious to hear more about your thoughts on the Visa, Mastercard, Stripe, Open USD initiative. What they said, what Visa said, is that it's a multi-coin world and they don't pick winners, but I think we all know in reality, everybody's competing.

Otherwise, why would we even bother having USDC, USDT, and Open USD, which Visa put its name on.

So what are your thoughts, if I ask you, whether USDC is going to be the one that wins and gains market share going forward in this multi-coin world? Thanks.

Jeremy Allaire: Yes. Yes. No. I mean I think the data says the story right now, which is we are by far the leading regulated stablecoin. We are predominant overall. And even in the regulated and unregulated combined, according to Visa itself, 70% of real transaction volume at the end of June is USDC. When we look at data in terms of the actual transfer utility of different dollar stablecoins, including regulated stablecoins, we're significant multiples of anyone else. We have the widest network, we have the largest regulatory footprint, we have the deepest liquidity, both primary, secondary, and otherwise. So we are by far the overwhelming leader today. We have, we believe, very strong network effects.

And in fact, as you note, those very same companies are expanding the work that they're doing with Circle. In fact, today we announced expanded relationships with both Visa and Mastercard. They're coming in to operate network infrastructure alongside Circle. And that network infrastructure is built to take transaction fees in USDC and provide stablecoin settlement for USDC and provide payments and settlement infrastructure to payment companies such as Visa and Mastercard.

So I think people are going to support multiple coins. We're supporting competitive coins on Arc itself. We're supporting competitive coins in our own custody and wallets. So there is a kind of competition that exists. Circle is a full stack internet financial platform company. And so different layers of what we do, we're going to have different cooperation and different competition. I think other firms will do the same. But in terms of our stablecoin network today we feel very, very good about our position as it stands today and expect to continue to be the leading network in a significant way.

Jeff Cantwell: Okay. Thanks very much.

Operator: Your next question comes from the line of Madison Suhr with Raymond James. Your line is open. Please go ahead.

Madison Suhr: Hi, everybody. Good afternoon. I appreciate taking the question here. I wanted to ask on CPN specifically, just as transaction volumes are increasing here, what are you seeing in terms of payment velocity and settlement behavior? And I guess more specifically, are customers willing to hold USDC on balance sheet as they grow more comfortable with the platform or is the primary use case still kind of rapid in and out settlement? And I guess over time, how do you expect that mix to evolve? Thank you, guys.

Jeremy Allaire: It's actually a great question. I'd actually zoom out a little bit from just CPN. I think one of the data points that we shared in the call earlier, which is that we had record minting and redemption volume in the quarter. I think it was around $170 billion of minting and redemption volume. That was, I believe, around 105% year-on-year growth, which is I think significant. What's really interesting about that is we've seen obviously like crypto markets and trading markets have declined. We've seen both asset values and transactional volumes and other things decline. But stablecoin transaction volumes have continued to grow and minting and redemption volumes have continued to grow. This gets to the part of the heart of the value that Circle provides.

So Circle's minting and redemption volume is effectively the global on and off ramp for settlements with USDC. We're now plugged into banking systems around the world in Asia, Europe, Latin America, the U.S., et cetera. So payment firms and other fintechs and banks and others actually connect into our infrastructure and are able to use that to move value around the world between counterparties. And so that growing minting and redemption volume is essentially, in my view, sort of the growing efficiency of USDC, almost like a global settlement pipe, if you will. So we are seeing that growth taking place. Now, I think the other part of the question, which is really key, which is are people staying in the stablecoin versus kind of moving it out?

So if you look at the scale of Mint Redeemed, you see they're roughly balanced, right? The amount that's minted, the amount that's redeemed. So a lot of it is effectively settled through USDC, but ends up in traditional bank accounts. It begins somewhere in a bank account, ends somewhere in a bank account. Now, our view is that obviously the amount of money that stays on chain is absolutely going to grow.

I think there's a few key things that have been hurdles. I think one of those has been the legal definition of stablecoins and the way corporations can actually hold these. Most publicly traded companies were not willing to consider holding a stablecoin as a cash or cash equivalent. But with GENIUS Act and with digital dollars becoming actually a defined part of the global financial system, with the major accounting bodies such as FASB or the SEC and others internationally upgrading their accounting standards to define stablecoins as cash and cash equivalent instruments, as well as custody infrastructure, custody banks, national trust banks and other custodians that can hold these digital tokens.

All of that combined creates an infrastructure layer that from a public company perspective, from an accounting perspective, and from a kind of security operational compliance perspective, all lines up to enable far more people to store value in this. That's everything that we're doing.

A lot of things that we talked about is building up that infrastructure so that when we move into 2027, and as this becomes a mainstream part of the regulated financial system, more and more corporations will want to hold their money in this working capital because it's more efficient. It's more capital efficient. It can be handled and processed faster. It's more globally available as well.

So I think those are things that have been sort of barriers to broader kind of balance sheet growth on this. But I think a lot of the things that we need to have in place are incrementally getting knocked down as we go quarter over quarter.

Madison Suhr: That's great. I appreciate the very detailed answer here. Thanks, guys.

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

John Todaro: Hi, guys. Thanks for taking my question. I'll just have a quick one for you. As we're thinking about Arc on the token sale, it sounds like basically one time is the way to think about it. But other companies like Ripple have kind of done ongoing token sales. So just wondering if that could be a piece to it in the future, or should we kind of really think of this as more or less one time sale?

Jeremy Fox-Geen: Yes. So Jeremy talked earlier about the various different revenue streams that might accrue to us from Arc. We're thrilled with the success of Arc so far. And we're very pleased that we've been able to create, through the token pre-sale as a monetization event, a $3 billion asset before Arc even gets to public mainnet launch.

So there's a wealth of possibility, both in terms of driving those revenue streams and in driving the value of Arc token itself. Now, your specific question was around kind of token pre-sales and how to think about these as one-off or not. As we set out in the Arc white paper, the tokens have been allocated to various different buckets of opportunity. We have no plans at this moment for any future pre-sale, but at the same time, our intent and our interest is to drive the success of Arc and the Arc ecosystem. The white paper sets out a whole different range of ways that that can happen. And a token pre-sale providing some incentive to the purchasers for them to drive the success of Arc is one of those factors.

John Todaro: Understood. Appreciate it. Thanks and congrats again.

Operator: Your next question comes from the line of Ed Engel with Compass Point. Your line is open. Please go ahead.

Ed Engel: Hi, thanks for taking my question. As you launch Arc sometime this quarter and then start attracting USDC onto the box game, would this directly count as your on-platform USDC or does it still require the USDC to be held on your own infrastructure in order to qualify? Thanks.

Jeremy Allaire: Yes. I can take that. So if the USDC is in a first-party product of Circles, then it would count as on-platform. But just USDC that's in free float and free circulation on the blockchain that is not in a Circle first-party product would just be off-platform USDC. So that would be the same treatment on Base or on Solana or on other networks as well.

Ed Engel: Great. Super helpful. Thank you.

Jeremy Allaire: I will add one comment to that, which is we're building a lot of first-party products on top of Arc.

Ed Engel: And does that count all these partnerships that you're announcing about the hundred plus developers like Aave, etc.? Would those count towards it?

Jeremy Allaire: It is really a partner by partner. So for example, if it's a self-custody wallet that connects to Arc, that's a self-custody wallet that isn't necessarily a Circle first-party product. If it's an exchange and we have a distribution relationship with the exchange and they grow the amount of Arc USDC, then that would be captured under the distribution arrangement that we'd have there.

We have products like Circle Gateway which is an interoperability kind of unified balance wallet technology that is an on-platform technology for Circle. So if people are building on that as a way to have a seamless cross-chain user experiences that are anchored in Arc and Arc USDC liquidity, then that would accrue to Circle. So again, it's going to vary from partner to partner. There's not a uniform way of looking at it.

Ed Engel: Great. Super helpful.

Operator: Your next question comes from the line of Michael Kim with Bloomberg. Your line is open. Please go ahead.

Michael Kim: Hi, everyone. Thanks for taking my question. So appreciate your comments on this call as well as the earnings call earlier just around sort of the competitive backdrop with respect to Open USD. But just curious to maybe get your perspectives on potential competitive risks related to bank-issued stablecoins, tokenized deposits, and or tokenized money market funds just in terms of market shares as well as sort of potential implications to the economics for existing stablecoins. Thanks.

Jeremy Allaire: Sure. Yes. Thanks for the question. A few pieces. You know, I think if you think about money, the right way to think about this in my view is sort of just look at monetary aggregates in the world today roughly $120 trillion of electronic money, monetary sort of monetary aggregates. Those are across central bank liabilities. Those include kind of government obligation money of various sorts, government treasuries. That also includes commercial bank loans, which makes up the vast majority of bank deposits are actually kind of outstanding. It includes money market funds that encapsulate some of those underlying assets as well.

Then, of course we've had this emergence of this new kind of narrow banking money, which is full reserve money, which is stablecoin money. And that's now becoming a defined form of digital cash or cash equivalent electronic money in the world. Our view is that the benefits of digital cash, of no questions asked money, which is money essentially that is not lent out. It's not taking an IOU risk of a bank or a credit risk of a bank, but it is a narrowly defined high utility.

It has very high utility as a settlement asset on the public Internet. It has a very high utility for managing settlements between both known and unknown counterparties around the world. It's very valuable from a collateral and markets perspective.

And so our view is that this form of narrowly banked money is going to continue to grow. Now, at the same time, everybody wants to upgrade to these new technologies, just like everyone eventually upgraded to the Internet. While most of the traffic may have gone through the new Internet companies and digital media companies, the existing media companies all brought their own content to the Internet or the communications companies brought their services to the Internet.

Everybody's going to bring their monetary services to the Internet. Crypto as a technology, crypto infrastructure as a compute environment, as a data and transactional technology, everyone will adopt that from central banks to commercial banks, to asset issuers, fund issuers. This quote unquote tokenization trend is just, it's sort of like saying digitalization. Everything will become digital, everything will be tokenized.

So then the question really becomes, where will value aggregate? And does a new purpose-built form factor for money that is purpose built for general utility and public settlement on the Internet, does that actually grow to be significantly larger than it is today? That is obviously our thesis, that is at the heart of the thesis. Narrow banking is at the heart of our thesis as well, full reserve banking. Our view is that the attractiveness of that, both as a store of value, a medium of exchange, as a collateral asset, et cetera, is going to be very high. And we expect that stable coin money will coexist alongside these other instruments.

As you know, we operate the largest tokenized money market fund in the world, USYC. That product has seamless interoperability with USDC. We're partnering with other tokenized money market fund issuers, including one of the other largest, BlackRock, to provide that same level of interoperability and seamless convertibility between those products and digital cash. So there will be passive assets and there'll be active assets.

Similarly, with tokenized deposits, I think as we've built out Arc as a economic operating system, we've designed a lot of Arc to be very specifically designed with asset issuers in mind. And that includes banks that may issue tokenized deposits. That includes other stable coin issuers. I think a dozen other stable coin issuers that are active on Arc in Testnet. And so we want to work with all those and we want to support them in that operating environment. We expect to see convertibility between a lot of these as well. It's not a one-size-fits-all, is ultimately the answer, just like the existing financial system is not a one-size-fits-all either.

Michael Kim: Understood. Thanks for taking my question.

Jeremy Allaire: Of course. No problem.

Operator: Your next question comes from the line of James Faucette with Morgan Stanley. Your line is open. Please go ahead.

James Faucette: Thanks very much. Thanks for all the details and comments today. I guess I want to just make sure I understand kind of what was happening with circulation during the course of the second quarter and anything that we should extrapolate out into the future.

I think you reported that you had about $12.4 billion at the end of the quarter and that was down sequentially. I'm just wondering how much of that was related to Hyperliquid or some of the treasury-related flows and if that's kind of what drove the end of quarter decline versus the average. I guess maybe more importantly, how should we think about where the daily weighted platform share is running quarter to date and anything that we should take from those movements on a go-forward basis? Thanks, guys.

Jeremy Allaire: I'll take the first part of that. I know Jeremy may have other color he wants to add here. Hyperliquid actually grew. Hyperliquid itself, I think has actually been marginally positive. I mean I think it's pretty straightforward. We've seen deleveraging out of DeFi, out of crypto markets. We've seen kind of market maker working capital declines. So those are the kinds of things that have driven overall circulation activity and that is very much a market cyclical moment there. So that's how I'd characterize that at this moment. But I'm not sure if I followed the other question on kind of average balances yet.

James Faucette: Sorry if I wasn't clear. Yes. And it sounds like it was just like that drawdown at the end of the quarter was more just a function of what was happening in the broader markets and crypto markets rather than anything that was happening functionally with reserve currency related to Hyperliquid. Is that fair?

Jeremy Allaire: No, not at all. And again I think I don't have the data in front of me, but we could provide you the data or you could look it up, which is I think actually Hyperliquid has actually grown. They've actually grown. Exactly. But yes, yes. But I think your comments and my response are really about the broader market context, softness in digital asset markets. Yes.

James Faucette: OK, perfect. Thank you so much.

Jeremy Allaire: Of course.

Operator: Your next question comes in the line of Jacob Haggarty with Baird. Your line is open. Please go ahead.

Jacob Haggarty: Yes. Thanks, guys. So I just want to kind of review. So it sounds like with Arc now launching in September, you're going to have the base rail layer for payments. You're going to have the wallet infrastructure layer, which includes on ramp and off ramp. Then also the managed payments layer through Circle Payments Network.

Then additionally, if somebody is not holding USDC on Arc already, but once these are for settlement, you have CPPP, which that's monetized as well. So it sounds like you have pretty much all parts of the payment system that you could monetize. Can you just give us any idea on what you're more focused on growing? Because I know you have more of a focus on network effects, but what's more focused on growing right now and what could you maybe monetize sooner that might grow just kind of as a byproduct of another product growing?

Jeremy Allaire: Yes, sure. A couple of high-level thoughts here. I think you're spot on, which is that we have absolutely been building towards a full stack platform, and that full stack platform continues to get fuller. And so we're operating at the network operating system level. We're operating at the at the monetary asset issuance level. We're operating with wallets and custody infrastructure.

We're building the interoperability protocols. Of course we're building the kind of payment network abstractions that are necessary for regulated FIs to kind of operate on top of this. We're obviously also supporting building the asset issuance infrastructure as well, because this is about more and more types of assets becoming digital and coming into these environments.

So we are building a full stack platform, and we do monetize individually across these buckets. We really talk about this as sort of the three pillars and the three pillars of the platform. The digital assets pillar, which is centered on USDC but includes other assets, the operating system pillar with Arc, and then the payments pillar with CPN. And we really empower these teams and these businesses to do what's right individually. We want CPN to be building what is necessary to work with FIs that want to use this infrastructure for payments and settlement. Now, we can optimize by building on top of our interop protocols. We can build it natively on top of Arc.

We can take advantage of the on-chain FX infrastructure that does accrue to CPN and provide benefits to CPN, but kind of CPN runs in its own lane. Similarly with Arc, Arc obviously is going to be a fantastic environment, sort of the first-class versions of Circle's products and assets across that. But it needs to be an infrastructure that the entire ecosystem can benefit from, hence the major firms that are going to be operating alongside us and the ability to share economics out with those participants, the ability for competitive asset issuers to launch their assets on Arc freely without permission.

So those are important. We want to make sure each of these can kind of stand on their own and work really well across the different parts of the ecosystem that we interact with.

I would say with Arc specifically, which is sort of where you started the question, Arc is an operating system. It's a network operating system, and operating systems are made by the apps that run on them. So our major focus is, are we building the things that are needed for developers to achieve success, building and deploying applications on this network? Are we building a critical mass of applications? What are the killer apps? And apps in this case include digital assets themselves.

An asset issuer is like issuing an app on the network. So bringing the best apps, bringing a great developer experience, the focus is on growing the amount of assets on the network, the transactions on the network, the number of developers and active developers. If we do that, the rest will follow. It will achieve its own network effects and will drive transactional revenue. It will accrue value to the value of the stake in the network itself, which gives us incremental tools to further incentivize growth as well. So we really want to get that powerful set of developer and application flywheels going, and that's going to be the primary focus as we launch Mainnet in September.

Jacob Haggarty: No, that's helpful. Then just as a quick follow-up, two really quick ones here, Arc incentive partnerships, is that going to be through token releases or will you incur distribution costs on those? Then just any comments on early results from the CCTP fast transfers that you're monetizing there?

Jeremy Fox-Geen: Yes. I'll take the Arc token incentives piece. As I think we said on the last earnings call, and as I mentioned earlier on this call, Arc tokens have been put into various buckets and reserved into various buckets for various different activities related to the Arc ecosystem. One of those is using Arc tokens to drive the behavioral incentives for partners building on Arc and giving them an incentive to drive volumes, to drive usage, to drive activity, to drive new products.

And there's lots of different ways that we could put such incentive programs together. When it comes to financial statement recognition, if we grant one Arc token as part of an incentive program, we both recognize the revenue of the value of that token at time of grant, recognizing the value of that token to Circle. And at the same time, we will recognize a corresponding cost in other costs of the value of that token, recognizing that we are giving it away to a third party as part of an incentive scheme.

So that will drive other revenue, but that will impact RLDC margin as a percentage, but will add $0 to RLDC itself. So that's sort of the financial statement impact and revenue recognition around tokens. Regarding CCTP fast transfer, I mean in terms of financially, this remains a small part of our transaction revenues within other revenue and we don't break it out separately.

Jacob Haggarty: Thank you.

Jeremy Allaire: I would just say CCTP continues to have very strong traction and continues to maintain good market share. Circle Gateway which is another interoperability solution from Circle also continues to grow nicely. We're very focused on this cross-chain infrastructure, interoperability infrastructure.

And as we've already shared publicly, we're actually opening up CCTP to other asset issuers. So it's not just going to be carrying USDC. So if you're issuing another stable coin or you're issuing a tokenized fund or a tokenized equity, you'll be able to move those on CCTP as well. And so the payloads that run on that will grow. That obviously creates incremental traffic and creates incremental monetization opportunities over time as well.

Operator: Your next question comes from the line of Kenneth Suchoski with Autonomous Research. Your line is open. Please go ahead.

Kenneth Suchoski: Hi. Good afternoon. Thanks for taking the question. Maybe just building off of James's question, it looked like the end of period USDC on Circle's own platform figure ticked lower in 2Q versus 1Q. So just wondering if there's anything to call out that drove the change, even though the average USDC on Circle's own platform was up quarter over quarter.

So I think people are trying to figure out if hyperliquid had any impact there. But I think our main question we had was just on the like when we look at the business across different channels, what's paid to Coinbase for all of the non-Coinbase platform USDC went down a little bit quarter over quarter.

Coinbase actually discloses this. I think it was like $146 million in 2Q versus $163 million in 1Q. But the amount of off platform USDC that Coinbase reports went up.

And so we thought the driver of that could be an increase in USDC on Circle's own platform. You know, it went up a little bit, but we don't think it was enough to offset that.

So we're just trying to figure out what's driving that decline in the payment to Coinbase for the USDC that sits outside of Coinbase's own platform. Just if it was some upfront payment to hyperliquid or other partner or is Circle giving out, more economics to non-Coinbase partners. Just trying to better understand that. Thank you.

Jeremy Fox-Geen: That's a very sort of complicated question to try and unpick on a broad call like this. The last piece of your question, I think gave the real heart of your question away which is, was there some one-off payment or major change that drove the complication that you're having with trying to calculate the relative puts and takes? The answer to that is no. The changes in any percentages and payments and dollar values are just the ordinary puts and takes as different pieces of USDC in circulation move up. As different buckets of USDC in circulation with different incentive characteristics grow at different rates or shrink at different rates during the quarter.

Kenneth Suchoski: Okay so just to make sure. So basically, if the bucket where you would be paying out more increases, that residual piece that Coinbase keeps would be lower. Is that the right way to think about it, Jeremy?

Jeremy Fox-Geen: I mean the math is the math. If there's a bucket of on-platform USDC of either of ours that shifts, then the economics of that individual bucket, which are often typically not disclosed in terms of pass-throughs, will move around.

Kenneth Suchoski: Yes. Okay. All right. Thank you very much.

Operator: We have reached the end of our Q&A session and this concludes today's call. Thank you for attending. You may now disconnect. Good-bye.