Circle Internet Group, Inc.

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Earnings Call

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Call Participants

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Presentation

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Good morning, and welcome to Circle's Second Quarter 2026 Earnings Conference Call. I'm Scott Blair, Circle's Head of Strategic Finance.

Earlier this morning, we posted our earnings press release and earnings presentation on the Circle Investor Relations website, investor.circle.com.

A transcript of this call will be posted on that website once available. I need to remind everyone that our earnings press release, presentation in this call 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 containing 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, Chief Executive Officer and Chairman; and Jeremy Fox-Geen, our Chief Financial Officer, who will walk us through Q2 results. With that, I'd like to turn the call over to Jeremy Allaire.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Thank you, Scott. I'm excited to be here with all of you today to discuss Circle's second quarter results. As I've done in the past, I want to begin at a higher level and put in context where we are and what is driving Circle's strategy. We are living through a global moment. Around the world, governments, financial institutions and businesses are embracing digital dollars. Stablecoins are becoming federally regulated digital dollar money in the United States and similar frameworks are taking hold in major markets all around the world.

This is the moment Circle has been building toward for more than a decade. That moment has drawn enormous attention and with it, competition. I want to address that directly. Circle is in a position of significant leadership. We have built deep and durable competitive moats around trust, liquidity, regulatory standing, technology and network scale.

Our position has never been stronger. At the center of that position is USDC and the extraordinary network we have built around it. That network was built with partners, including a strategic partnership with Coinbase that we have grown over many years, and I'm pleased to share today that our agreement with Coinbase has renewed on its existing terms, ensuring that USDC remains central across all of Coinbase's products.

At the same time, we look forward to continuing to grow our USDC network through distribution arrangements with strategically aligned partners. Let me start with the foundations of that network. USDC is the leading stablecoin network in the world, and it rests on significant technology and operational infrastructure.

Circle and our stablecoin infrastructure are the most widely regulated in the industry. We hold over 55 licenses and registrations across major jurisdictions. That position took years to establish and is what ensures the legal availability of our infrastructure around the world, something that will take others many years to replicate.

The software infrastructure that powers this open network runs on every major blockchain technology, spanning 35 blockchain networks and reaching users in 185 countries. We provide the critical protocols and on-chain smart contracts that make digital dollars work seamlessly wherever users are, in whatever application they are using in a safe way.

This is unparalleled in the industry. Alongside all of this, the financial infrastructure underneath USDC includes more than 15 partner banks around the world from some of the largest global systemically important banks to critical fintech-focused banks, ensuring the liquidity that underpins our network.

We have also built a network of more than 150 distribution partners that have an economic interest in embedding USDC, growing USDC and supporting it across their commercial platforms. This is expanding and accelerating. And critically, thousands of other companies are also part of our network with products and services that have integrated USDC and use our infrastructure.

They span every sector, wallets, DeFi protocols, payment apps, banks, neobanks, asset managers, exchanges, custodians, trading firms, brokerages and large enterprises.

These companies have built and continue to build fundamental utility around USDC. That strength is evident even in recently announced purported consortium projects.

Approximately 70% of the companies that have expressed interest are already participants on our network. Whatever role they may ultimately play in those projects, the more important fact is that they are already building on, distributing and supporting USDC today.

Our network is not theoretical or aspirational. It is the largest, deepest and most widely integrated in the industry, and its scale creates powerful self-reinforcing network effects that will be extraordinarily difficult to replicate. Liquidity is essential to those network effects and to Circle's competitive position.

On a primary basis, we have scaled USDC minting and redemption all around the world. In the second quarter, we saw an average of $1.9 billion of daily minting and redemption, up 105% year-over-year. This is infrastructure that works at scale.

On a secondary basis, several billion dollars of USDC trades every day, making USDC one of the most liquid digital currencies in the world. And transaction volume on the network continues to grow robustly with daily on-chain transaction volume averaging $163 billion per day in Q2, up 151% year-over-year.

This liquidity is what makes digital dollars work in markets, in payments and across business applications. Turning to the quarter. I want to focus on a few key highlights.

We ended the quarter with $73.3 billion of USDC in circulation, representing approximately 20% year-over-year growth. Total revenue and reserve income was $701 million. Adjusted EBITDA margin demonstrated continued healthy profitability and transactional volume with USDC grew 151% year-over-year to nearly $15 trillion.

We also saw expansion of our platform. In a huge milestone, we received our OCC National Trust Bank charter and shortly thereafter, an additional limited purpose trust charter from the State of New York.

And as announced today, we have major strategic partners coming alongside us for the Arc Mainnet launch, which is happening this quarter on September 16.

In another milestone, global systemically important banks began offering USDC minting and redemption directly to their institutional clients.

Our payments network, CPN, continued to see very robust growth, reaching nearly $15 billion in annualized total payment volume on a trailing 30-day basis at the end of Q2. And we continue to build out and strengthen flagship partnerships from global banks to major regional financial technology players, payments companies and global financial firms.

I want to spend a moment on the National Trust Bank because it represents something foundational. With final OCC approval, we have established Circle National Trust, an infrastructure bank for the Internet financial system. This is about confidence.

Circle National Trust gives leading companies and financial institutions a federally supervised foundation on which to build digital asset services. It allows us to bring core elements of USDC into this new federally supervised framework.

And it becomes a way to project Circle's infrastructure into global markets for payments, for capital markets and for use of digital dollars in corporations all around the world.

Now moving on to details of our stablecoin network and digital asset growth and adoption. Digital asset markets themselves have continued to see significant weakness. Even so, we saw overall growth on a year-over-year basis and continue to maintain our market share position.

More importantly, real-world payment volumes building on digital dollars have continued to scale, growing 84% year-over-year. USDC continues to be the leader in stablecoin transaction volumes. In fact, according to Visa, USDC share of stablecoin transaction volume reached nearly 70% in the month of June, a new record.

Key measures of usage and liquidity have continued to grow. USDC on-chain transaction volume grew 151% year-over-year. While volume was down from the first quarter, which included significant activity from market makers, we continue to see steady growth in transactional utility.

At the same time, we are seeing record amounts of minting and redemption of USDC with mint and redeem volume reaching $170 billion in Q2. This underscores USDC's critical and valuable role supporting payments and settlement moving between fiat infrastructure around the world.

We are truly building fundamental new pipes for digital dollar movement globally. And while much of the focus is on USDC, we continue to hold market-leading positions across our other digital assets. EURC grew 2.2x year-over-year and remains the largest digital euro in the world. USYC grew 10x year-over-year to become over $3 billion in assets and remains the largest tokenized money market fund in the world.

I also want to talk about the significant evolution happening in digital trading markets and Circle's role in it. Perpetual futures have become one of the most important tradable instruments in the world. The market has evolved from people buying and selling Bitcoin into people trading these perpetual futures at global scale.

On the largest centralized and decentralized platforms in the world, Binance and Hyperliquid, USDC's position has continued to strengthen, reaching 40% of open interest collateral in these markets.

And there is a real shift happening in what people are trading. The market is moving away from speculating on cryptocurrencies and into open global digital asset markets that support trading tokenized stocks, tokenized commodities and other tokenized assets.

In fact, for the first time, the majority of traded volume on Hyperliquid, one of the most important venues in the world, is now in real-world assets rather than digital commodities and cryptocurrencies, reaching nearly 75% of Perp's volume as of last week.

This is a major change in the structure of the market, and Circle is very well positioned as the leading provider of stablecoin infrastructure to these markets. We are also seeing dramatic growth in prediction markets as a major source of digital asset trading activity. Spot volume on Polymarket grew more than 8x year-over-year, and open interest posted in these markets grew more than 4x year-over-year.

Polymarket is a strategic distribution partner for USDC, which underpins this activity. Now let me turn to Arc. Arc is coming, and we are excited to announce today that Arc Mainnet will launch this quarter on September 16.

We have seen tremendous traction as the infrastructure gets ready for this moment. Our Testnet has processed more than 0.5 billion transactions across nearly 3 million wallets with nearly perfect uptime.

And more than 100 partners are already active on our private Mainnet, preparing for the public launch. Crucially, Arc has been built as financial infrastructure to be run by the leading financial firms in the world.

Today, we are announcing the initial cohort of firms that will operate the Arc blockchain network alongside Circle as network validators. This includes the world's leading asset manager, the world's leading equities and securities clearing firm, leading digital asset firms, the largest exchange group in the world, the 2 largest retail payments networks in the world, leading banks from around the world and leading payment processors and remittance companies.

This is an incredible group, running infrastructure that others can build on. No other blockchain has been built with this kind of strength. It is an amazing milestone, and we are thrilled for the launch in the coming weeks. Alongside the Mainnet launch, we are announcing 2 major partnerships today.

The first is with DTCC. DTCC underpins so much of our equities and securities markets today, and DTCC is collaborating with Circle to bring tokenized securities to Arc, focusing first on enabling the tokenization of DTC-custodied assets on Arc.

Over time, this extends to broader capabilities, tokenized repo, collateral mobility, corporate actions, securities lending, dividend distribution and participant reporting.

This reflects Arc's infrastructure model, purpose-built for financial institutions with deterministic settlement finality, configurable privacy and a network operated by financial infrastructure companies.

DTCC will participate in running the Arc Layer-1 network and DTC tokenized assets will carry the same protections, rights and safeguards that investors receive with traditionally held assets. The second partnership is with BlackRock, who plans to deploy BUIDL on Arc to leverage our infrastructure with native USDC integration.

This enables institutional investors to subscribe, redeem and deploy fund assets within a single on-chain environment, removing friction that has historically limited tokenized fund adoption at scale. Institutional fund management meets a network built for financial markets and stablecoin native settlement.

We could not be more excited about these 2 partnerships. Turning to payments. We continue to see tremendous progress with CPN. At the end of Q2, annualized total payment volume reached nearly $15 billion on a trailing 30-day basis. That is tremendous growth on a year-over-year basis and on a quarter-over-quarter basis.

We continue to enroll new financial institutions into the network with nearly 30% quarter-over-quarter growth, reaching 175 financial institutions and the momentum has continued.

Sitting here today, as of July 31, annualized total payment volume on a trailing 30-day basis has already reached $23 billion, representing 130% growth since our last earnings report. Alongside this growth, we are making major progress in product and market expansion. CPN and our related payments products are rolling out across international markets and now reach more than 58 countries.

Our core operations infrastructure is enabling much more seamless onboarding for financial institutions with stronger operational tooling. And all of this is being integrated across our full stack, including Arc, Circle Mint and our new StableFX venue. We're incredibly excited about this progress, and we are excited about beginning to monetize CPN.

I want to close the product discussion with agentic finance, where we are seeing emerging traction with Circle's agent stack. In the coming days, we will be publishing a white paper and our near-term road map for the agentic economy. We are moving from a world where blockchains, stablecoins and digital wallets are the rails that agents can pay with to a world where agents can earn and monetize.

Already today, the USDC network alongside payment protocols like x402 handles 99.3% of agentic payments. More than 900 paid services are already available in our agent marketplace.

As we go forward, we see a world where more and more agents conduct work and a labor market emerges for those agents. A developer can build and deploy an agent in minutes. That agent has its own identity. It can be discovered easily by other agents, and agents can monetize their services directly on chain.

Reputation, trust and discovery are all critical to how the agent economy will evolve, and we are excited to lay out our road map for building and delivering this in the second half of this year. Our work on agentic infrastructure is also unfolding inside of Circle. We are building toward operating an agentic corporation.

In the first half of this year, we proved adoption at scale. 86% of our employees are weekly active users of AI tools. Our employees have shipped more than 1,100 AI apps this year, most of them over the course of Q2 and most by nontechnical builders. Hundreds of agent skills have been published into an integrated circle AI toolkit available across the company.

And we now have continuous agent run software development with product development velocity up several hundred percent over the first half of the year. In the second half, we are moving from adoption at scale to orchestration at scale. We are standing up infrastructure where hybrid teams of agents and humans operate, working together as one.

Underneath that, we'll sit a company brain with memory and orchestration between humans and AIs and between AIs and other AIs connected by a messaging layer. On top of that, we are rolling out agent authoring tools to every employee in every team on a self-service basis so they can build individual and cross-functional agents with highly skilled capabilities across nearly every domain in the company.

And underneath it all, we're building model infrastructure that lets us optimize across any model for performance, cost and capability. All of this is bound by a robust policy, security, governance and risk layer appropriate to a global financial infrastructure company like Circle. This is a transformation in how we operate, how we build and how we deliver.

We talk about the agentic economy and the emergence of on-chain agentic corporations. That is exactly what we are building here at Circle, and we're incredibly excited about what this will enable over time. I want to conclude with where I started. This is a global moment for digital dollars. Stablecoins are becoming federally regulated digital dollar money and the world's leading financial institutions, technology companies and enterprises are moving on to this infrastructure.

Circle enters this moment from a position of extraordinary strength. We operate the largest, most liquid, most widely regulated stablecoin network in the world. We have renewed and deepened our most important partnerships and the greatest firms in the world are joining us as network participants, as validators on Arc and as builders on our platform.

We are launching Arc Mainnet in a matter of weeks with a cohort of network validators no other network can match, and we're building the infrastructure for the Agentic economy while becoming an Agentic corporation ourselves. It's an incredibly exciting time to be building here at Circle, and we are thrilled with the progress we made this past quarter. With that, let me turn it over to Jeremy Fox-Geen, our CFO, to take you through the financial results.

Jeremy Fox-Geen
Chief Financial Officer

Thank you, Jeremy, and good morning, everyone. I'll start with a few observations that provide context for the quarter before turning to the financial results.

First, as Jeremy mentioned earlier, USDC reached nearly 70% of stablecoin transaction volume in June, up from 36% in Q2 last year, reflecting the strength of our network and the trust that we've built across the ecosystem.

Second, USDC circulation has remained resilient. While the broader digital asset market capitalization declined approximately 40% year-over-year, leading to reductions in trading activity, DeFi, collateral demand and associated market maker balances, USDC circulation grew 19% over the same period, underscoring the decoupling of USDC usage from the vagaries of the digital asset markets, the resilience of USDC through that market cycle and signposting the underlying growth in non-crypto market adoption and usage.

Those are the massive markets we're building for. And third, we continue to expand our infrastructure and application layers with strong growth in CPN, the upcoming launch of Arc and the approval of our National Trust Bank.

These are important proof points that our strategy is taking shape. So with that context, I'll walk you through the financial results. USDC circulation ended the quarter at $73.3 billion, up 19% year-over-year. While ending circulation moderated at quarter end, average USDC circulation reached an all-time high of $76.5 billion in the quarter.

USDC held within Circle's platform infrastructure increased 106% year-over-year to $12.4 billion, representing 17% of circulation. USDC on Coinbase's platform reached 30% at quarter end, with Hyperliquid accounting for approximately 6% of that total.

The reserve return rate was 3.48% for the quarter, down 66 basis points year-on-year, reflecting the decline in SOFR during the period. Total revenue and reserve income was $701 million in the quarter, up 7% year-over-year as growth from circulation and other revenue was partially offset by lower reserve return rate during the period.

Sequentially, total revenue and reserve income increased as average circulation hit an all-time high, but was partially offset by lower rates and other revenue. Other revenue was $34 million, up 1.4x year-over-year, driven by growth in blockchain partnerships.

Quarter-over-quarter, other revenue declined by $8 million, reflecting both moderating blockchain revenue amid weak digital asset market conditions and our deliberate decision to prioritize Arc over other blockchain partnerships.

Subscription and services revenue declined $7 million, driven by fewer blockchain integrations. Transaction revenue declined by $1 million due to declining validator rewards.

Revenue less distribution cost margin was 41.2%, up 3 percentage points year-over-year, driven by our strategy to increase USDC held on our platform and grow high-margin other revenue streams.

Quarter-over-quarter margin decreased 21 basis points with strong platform execution and mix optimization, partially offsetting the impact of lower other revenue. The new Hyperliquid arrangement for USDC had minimal impact on Q2 results as the migration to Coin's platform ramped late in the quarter.

We expect that impact to be reflected beginning in Q3. Total revenue and reserve income less distribution transaction and other costs grew 15% year-over-year to $289 million. Adjusted operating expenses were $146 million, up 23% year-over-year, driven by continued investment in product development, go-to-market infrastructure and our AI capabilities.

Sequentially, adjusted operating expenses increased $11 million in the quarter or 8% as we continue to execute against our strategy. The expenses were driven by Arc marketing spend, continued infrastructure expansion and investments in G&A.

Adjusted EBITDA grew 8% year-over-year to $143 million, and adjusted EBITDA margin was 50% in the quarter. Now before turning to guidance, I want to start by addressing a question we've received around our multiyear through-cycle USDC growth framework.

As we've said before, we are building infrastructure for the next generation of the financial system, and we continue to see structural shifts taking place across regulation, international adoption, enterprise use cases, agentic finance and the broader acceptance of digital assets and blockchain technology.

We believe those trends remain intact and that Circle is uniquely positioned at the center of that evolution. And we are excited about the partners actively committing to the USDC ecosystem and to the quality of institutions interested in even greater strategic partnership.

Given the magnitude of these structural shifts, our own historic growth patterns and the potential for rapid scaling characteristic of Internet platform companies, we believe that a 40% growth CAGR over several years through cycle is achievable.

And when we look across third-party research, they project the stablecoin market for 2030 to be between approximately $1 trillion to $4 trillion, implying compound annual growth rates of 27% to 77%. We expect that this growth will come from the massive regulated markets that make up the global economy and that the vast majority of institutions, enterprises and platforms will choose to build on compliant regulated digital dollar infrastructure.

We note that our own 40% target is well within this range. Now with that context, let me turn to the remaining components of our guidance, beginning with other revenue.

We are raising our other revenue guidance range to $310 million to $330 million, up from $150 million to $170 million. The increase is driven by Arc. When we set the original range, we took a conservative view on contribution from new products. We are pleased that Arc, in particular, has been so successful and that we have been able to create a $3 billion asset even before Mainnet launch and execute a successful $242 million presale of the Arc token in Q2.

We expect to recognize this token presale revenue as certain product milestones are achieved. Based on our product road map, we expect to achieve approximately 75% of the milestones in revenue in 2026 and have included $180 million in the revised guide. As this revenue is recognized, it will flow directly to the bottom line. The remainder of our products are expected to deliver between $130 million and $150 million.

This reflects our strategic decision to focus resources on the development of Arc instead of additional blockchain partnerships as well as moderation in commercial opportunities with new blockchain partners, reflecting softer digital asset markets.

Turning to RLDC margin. We are increasing our full year outlook range to 41.7% to 43.7% from 38% to 40%, reflecting our prior guidance range augmented by the addition of anticipated revenue from Arc. Excluding that Arc revenue, we expect full year RLDC margin to come in near the midpoint of the prior range.

Finally, turning to adjusted operating expenses. Our guidance range of $570 million to $585 million remains unchanged, although we expect to land at the higher end of that range. Given the strength of our balance sheet and the very attractive long-term returns we expect from investing behind our platform, we believe that now is the right time to sustain this investment.

As Jeremy mentioned, this is the moment Circle has been building toward. Our financial foundation is strong, our network is growing. And in just a few weeks on September 16, we will launch Arc Mainnet with a cohort of network validators no other blockchain network can match.
At the same time, we're building out the infrastructure for the agentic economy, positioning Circle at the center of how value will move in an AI-driven world. The opportunity ahead remains large, and we could not be more excited about the rest of this year and beyond. Now with that, I'll turn it back over to Scott to start the Q&A.

Question and Answer

Scott Blair
Senior VP of Strategic Finance & IR

Thanks, Jeremy. We're starting Q&A again with a few questions we collected from analysts on the Say platform. Our first question is from Norman, who asks, if we can talk to the delay of CLARITY passing.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Sure. I'm happy to take that, Norman. Thanks for the question. As I think a lot of people know, the CLARITY Act is very actively being discussed and kind of final issues are being worked on, I think, literally as we speak in the Senate.

I think there are a few key issues that are being negotiated between the Democrats and the Republicans. I think the goal is to try and get to at least the leader of the Senate, the goal is to try and get to a motion to proceed in working on the bill on the Senate floor this week. We'll see if that happens.

I think our view is a few things. I think the first is we are seeing bipartisan work here to try and get this legislation done. And there are kind of, again, a few critical issues, but I think that they're very much resolvable. Whether they get done this week or in a subsequent convening of Congress, we'll see.

But there is a genuine bipartisan effort to get this done, and I think very broad industry support and non-industry support as well. I think the second thing I'd say around this that's really important is that for Circle, the GENIUS Act, which passed a year ago, is the most critical piece of legislation.

And the GENIUS Act has just gone through its proposed rulemaking, and we know will become effective in January of 2027.

I referenced that a little bit in my earlier comments. Legal digital dollars in the U.S. financial system and therefore, in the global financial system is a kind of bedrock foundation for what we're building.

And so that is critical and I think allows the entire financial industry to move forward with this. Then the third thing I'd say as well is I think there's been, I think, pretty good coverage of this, but the key regulatory agencies from the banking regulators to securities and capital markets regulators are also very proactively working on their own rule-making in this space to support kind of continued maturation and clarity of rules around how capital markets will function in this area. So obviously, we're all watching that closely.

Scott Blair
Senior VP of Strategic Finance & IR

Great. Thanks, Jeremy. The second question comes from Sean, and he wants to know if we plan to roll out quarterly dividends in the near future.

Jeremy Fox-Geen
Chief Financial Officer

I'll take that one. The short answer is no, we don't. But let me put that in context.

We have a massive opportunity ahead of us to be the leading Internet platform company as the whole world evolves from traditional technologies and rails into new Internet-based financial services built on blockchain technology.

And as we've always said, we want to have a strong balance sheet to ensure that we can continue to invest against that opportunity through market cycles, no matter what comes and also so that we can be opportunistic to take advantage of great opportunities when they come up.

So with that, we believe in retaining a strong balance sheet, and we believe that the returns available to our shareholders on investing in the platform are far greater than those from sort of paying out quarterly dividends.

Fundamentally, we are a massive future market growth stock versus a stock that returns capital to shareholders today.

Scott Blair
Senior VP of Strategic Finance & IR

Thanks, Jeremy. Okay. Our last question from Say this quarter comes from Sreedhar, and he has a product road map question. He wants to know what's the road map for platform revenue besides passive reserve income? And what should we expect in 2026 and beyond?

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Sure. I'm happy to take that. We've been talking now, I think, over the last year about building out these kind of 3 pillars of our platform, our digital assets pillar where USDC is central, but where we're expanding that into other digital assets, our payments pillar with CPN, which, as I've just shared, continues to grow very robustly.

And then our developer infrastructure and operating system pillar with Arc. We obviously, just as discussed, we are already seeing, I think, significant other revenue growth.

And in fact, from the beginning of 2025 through today, we've seen that grow from essentially 0 to now a guided range of around $300 million in 2026.

And so that is obviously growing. There are multiple pieces to this. So there's the partnerships that we build around infrastructure that supports our stablecoin network expansion. There are transaction fees that are associated with use of our platform. Arc itself is multiple new sources of revenue. Obviously, we're discussing today the ARC Token and the ARC Token presale, but Arc itself includes revenue from staking, revenue from transactions that run on the network, which is revenue that Circle will be able to collect, but also that other stakeholders and validators on the network will be able to collect.

And then there's also revenue associated with partnerships and incentive partnerships that we build with partners building on Arc. So Arc is going to become a diverse set of revenue and already is in 2026, and we expect that to continue in 2027.

CPN, as we've talked about, we're very excited about. We're excited about the traction and growth. We made it very clear when we launched that product that our primary focus was how do we get this platform to scale.

And we're starting to see that going from essentially a brand-new product that was cleanly built internally at the company to now as of July 31, $23 billion of annualized TPV run rate payment volume.

Now it is becoming the time for us to start to monetize that. So that will start really in the second half of this year. But we have very ambitious growth goals for that network, very ambitious growth goals ultimately over the long run in terms of what revenue can be derived there. And then I think the last thing I'd say is the velocity of product development that's happening at Circle right now is incredible.

I talked about the productivity that we're seeing from agentic infrastructure in our software development. That velocity is allowing us to cover more surface area. And so you will continue to see Circle expanding its product surface area.

And alongside that product surface area expansion, you'll see new monetization opportunities that emerge from that as well. So more to come as we continue to build and innovate in our platform.

Jeremy Fox-Geen
Chief Financial Officer

And Jeremy, if I can just add to that, I want to take a point on part of the premise of the question, which is this idea of passive reserve income.

I also want to remind everybody that at $70-odd billion, we view the USDC product and the reserve income stream still is very early stage. The market -- the addressable market for money is about $120 trillion, of which about half, $60 trillion is noninterest-earning money.

And so we're building an Internet platform company, as we both said in our remarks earlier. And Internet platform companies can scale incredibly rapidly into massive markets as they disrupt.

And that scaling is predicated not only on everything that we're building, but also on all of the work by all of the builders and the developers and the companies that are building products and services based on USDC to offer better products and services to their customers.

So there is an awful lot of activity, not just from us, but from the entire ecosystem that's building our USDC business and the reserve income line. And that's a massive market. So we just think we're just getting going.

Scott Blair
Senior VP of Strategic Finance & IR

That was great. Thanks, guys. Now before I turn it over to the moderator, I want to thank Norman, Sean, Sreedhar and everyone else who participated in our Say questionnaire this quarter. Thanks all. With that, I'm going to pass it over to Jenise to begin live Q&A.

Operator

Thanks Scott. Our first question today comes from Pete Christiansen at Citi.

Peter Corwin Christiansen
Citigroup Inc., Research Division

Jeremy Allaire, I wanted to dig a little bit more into competitive positioning, specifically around USDC's distribution moat in light of the OUSD announcement earlier last month.

The market seems to be framing this potentially as a binary issue, Open Standard's model of equally sharing reserve income with all distribution partners, including Visa, potentially as a structural advantage that Circle can't replicate given its existing economics with Coinbase.

But what caught our attention, I think, this quarter was the joint Hyperliquid announcement, which you spoke about earlier, where Circle and Coinbase collaborated on a share revenue agreement together. To us, this suggests that Circle has a mechanism to deploy distribution capacity in a complementary way alongside Coinbase rather than being constrained by that relationship.

I guess, can you help us understand your thinking about that framework going forward more broadly and how Circle plans to compete for distribution in a world where reserve income sharing is becoming table stakes.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Thanks, Pete. It's a great question. A few comments that I want to make here as well, and I touched on this a little bit in my comments.

I think critically, we already have an incredible amount of distribution, distribution incentives and partners building on our network, thousands of companies, in fact, part of our network over 150 companies, we have distribution partnership agreements with that provide economic incentives to grow USDC, to build on USDC, to distribute USDC.

So this is something that we've been doing for a very long time. And in fact, we do it together with Coinbase often. And so I think getting to the other part of your question, our ability to build really great distribution, win-win distribution arrangements with major companies is absolutely there.

I think you gave one example. There are certainly others. What I would say is a couple of things. The first is, and I think we heard this from Brian on his earnings call last week, Brian made it very clear. His focus is on ensuring that USDC is the #1 stablecoin in the world. It's #1 in multiple areas, and we want to make it #1 overall.

I think we share that. And so it's very, very clear. The second thing I'd say is some of the other partners who announced prospective involvement with a consortium coin also made it very clear in their own earnings calls that they're taking an agnostic approach, multi-coin, multi-chain, et cetera.

And in fact, we continue to expand our relationships with these leading firms. Just today, we announced expanded collaboration with Visa and with Mastercard, who are becoming key infrastructure partners in Arc, which is USDC native in terms of its transaction infrastructure and settlement infrastructure.

And so we see around 70%, in fact, of companies involved in these kind of consortium efforts already building with us. Final comment I'd make, which I think gets to the heart of your question, which is we are seeing incredible interest from major companies in wanting to be part of the USDC network. And we see this all around the world, everywhere that we go.

And we absolutely have the opportunity together with Coinbase to form partnerships where it makes sense, where we believe that a company can really materially help drive the growth and adoption of USDC. And so I think we're quite confident in the position that we have, the leadership position that we have. And likewise, I think we have the tools that we need to continue to partner with the best companies in the world to grow together.

Operator

Great. Our next question comes from Ken Suchoski from Autonomous.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Not hearing a question.

Kenneth Christopher Suchoski
Autonomous Research US LP

Guys, can you hear me?

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Yes, now we can hear you.

Kenneth Christopher Suchoski
Autonomous Research US LP

Hey good morning, Jeremy. Thanks for taking the question here, and thanks for all the detail on the Arc presale and what's included in the guidance. It'd be great to get some more detail and commentary, some on Hyperliquid detail. [indiscernible] futures seem to have really taken off. It seems like Circle is giving up a decent amount of economics there. So just you know, should we view this as more of a one-off deal given the opportunity in that market and then maybe just a couple of specifics around the deal? Are Circle and Coinbase [indiscernible] the 10% residual 50/50 and will Hyperliquid [indiscernible] Coinbase platform? Thank you.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Sure. No problem. I can take the first part of that, and then maybe I'll have Jeremy Fox-Geen take the second part of that.

I think on the first part is I think what's incredible is that a high-growth platform like Hyperliquid, which also, by the way, looked at getting behind another stablecoin project, ultimately, I think, realized that the liquidity, the network effects, the institutional preference, the global regulatory availability of USDC made it the stablecoin that they needed to get behind.

And so I think the first is that it just underscores that we are winning in the market on the basis of the incredible network effects that we've already created. And so there's -- that is key. The second, and this is very important, is when you look at certain types of distribution platforms, whether they're the biggest global exchanges or you look at which Hyperliquid effectively is, they play a really key role as what I like to call liquidity Supernovas, which is to say the liquidity that concentrates on these platforms spins out and affects distribution and availability in so many other places.

And so when we think about major tentpole distribution partnerships, we think about that. What are the network effects? What is this going to do to drive preference and adoption in lots of other applications.

So as a critical kind of on-chain market primitive, it's very important that, that's the case. And so I think it's with that spirit that Circle and Coinbase together looked at, let's build this arrangement so that this important and high-growth platform, which, as I noted in the earnings call, close to 75% of the traded volume is now actually tokenized real-world assets.

So this is becoming a convergence of traditional financial markets and these on-chain markets as well. It's a really critical piece for us. And so I think that's the strategic rationale behind the work there. And I'll let Jeremy address the specific financial questions as well.

Jeremy Fox-Geen
Chief Financial Officer

Yes. thank you, Jeremy. As it comes to the Hyperliquid arrangement itself in which both Coinbase and Circle and Hyperliquid are all participating.

You can see on chain the exact location of the funds within Hyperliquid's platform in relation to where they're held within either Circle or Coinbase's platform.

At quarter end, approximately 90% of Hyperliquid's total USDC was held within Coinbase's platform and about 10% of Hyperliquid's total USDC was within Circle's platform.

As for the specifics of how that revenue share is detailed, we're not commenting in more detail on the precise nature of that between Circle and Coinbase.

Operator

Our next question comes from James Yaro at Goldman Sachs.

James Edwin Yaro
Goldman Sachs Group, Inc., Research Division

Jeremy, you spoke to a deliberate decision to prioritize Arc over other blockchains and that could have an impact on other revenue.

I was hoping you might just expand a little bit on this decision, what this means going forward and how this changes the subscription services component of other revenue going forward.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Maybe I can take part of that and Jeremy Fox-Geen can take another part of that, which is I think the first is really the strategic decision, which is Arc represents one of the most massive opportunities that we've ever seen as a company.

I think I maybe said on the last earnings call, we look at Arc as potentially as bigger than an opportunity than USDC itself. And so this is the birth of a new operating system layer for economic activity in the world.

We believe that an incredible amount of financial activity, economic activity, agentic activity are going to move on to these operating systems. And we believe over the next 3 to 5 years, the opportunity set exists for these to become very large-scale infrastructures on the Internet.

And so I think for us, both as a 25% stakeholder in that network as well as a key operator of infrastructure in that network as well as the kind of compounding effects of that network's adoption in terms of real-world asset adoption, stablecoin adoption, transaction fees in stable coins, settlements in our stable coins, all of these pieces make it an incredibly attractive thing to invest in.

And so from our perspective, that as a source of major other revenue going forward is very attractive. The margin characteristics are very attractive. The diversification of different types of product and product SKUs that can be attached to that are very attractive as well.

And so I think from our perspective, that's exactly the kind of other revenue that we want to be building, and it's a strategic infrastructure that compounds value to Circle in many, many other ways. In terms of specific commentary on what that does to other revenue over beyond 2026, I'll let Jeremy speak at a high level about that, although I'm not sure we have that much to say.

Jeremy Fox-Geen
Chief Financial Officer

Yes. Thank you, Jeremy. Look, the subscription and services revenue line that you asked for, as we've said, is based on the partnerships that we build with other blockchains to bring USDC and the rest of Circle's infrastructure stack to those blockchains.

Those contracts have both an upfront component and a recurring component. And as we said, we've been aggressively working through a pipeline of those over the first few quarters of this year and at the back end of last year.

I think we've said that consistently, and we're sort of working through those, and there's a lumpiness inherent to that because of the upfront fees. We're still prioritizing this as a service. It's very important to us that USDC is available on the blockchains where people are building activity, and we very much value those partnerships.

As what it means for the rest of the year, you can look at our other revenue guide, and you'll see the implication of that on the second half of the year.

Operator

Our next question comes from Owen Lau at Clear Street.

Owen Lau
Clear Street LLC

Could you please add more color on the road map of agent -- you can hear me? Can you hear me now? Sorry.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

There we go.

Owen Lau
Clear Street LLC

Okay. Could you please add more color on the road map of agentic product in the second half of this year? When should we expect to see more revenue contribution from agentic commerce? I know it's still small. It's still growing, but we just want to understand when it can become more material to Circle longer term.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Thanks, Owen. It's a great question. So I talked a little bit about our second half road map in the call.

And as I noted, we're actually going to be publishing a lot more detail on that in the coming days. So stay tuned for that and watch that.

What I'll say specifically is -- the first set of product introductions that we've made are really around enabling agents to have wallets, enabling agents to have policies and guardrails around those wallets, enabling them to make and receive payments using open standard agentic protocols.

And we've, alongside that, launched a curated agent marketplace that has -- now has 900 services in it. What's exciting is that we continue to see organic adoption of the agentic payment stack and organic adoption of services, data providers and other agent marketplaces offering more and more services.

So literally, every day, every week, we're seeing more and more of these. In fact, just yesterday, Cloudflare had a big announcement, they're making agentic wallets with x402 and USDC support available as a core part of their offering.

They touch a huge percentage of the Internet. So that's very exciting. We're seeing this organically happen. In terms of the second half and sort of the materiality, there are a number of really key things. And our vision is that agents basically begin to take on more cognitive work and agents conduct and execute services and labor.

And in order to do that, sort of these agents as services need to be able to have identity mechanisms. They need to be able to have automated discovery mechanisms, so agents can basically seamlessly discover other agents and their capabilities.

And they need reputational systems like the reputation systems that we've seen in Internet marketplaces and platforms where you have reputation that is based on prior engagement like a page rank on Google as an example.

And then finally, you need very simple ways for someone who builds an agent to enable their agent to just earn to earn and monetize their work. And so we're doing -- we're working on all of those things. And I think we'll outline in detail what that looks like.

But we want this whole agentic economy to function. We want to enable agents to be providers of services to other agents and to companies around the world.

And each one of those capabilities, our approach is to do it through open standards. And so this is not a proprietary Circle thing. We want all of this to be based on open standards and obviously collaborating with the incredible ecosystem that we already have today.

In terms of direct impact on revenue, I mean, very clearly, we believe over time, the amount of stablecoin money that is held and used in agentic applications will grow and the velocity of transactions will grow.

And we are ensuring that Arc as an infrastructure is an ideal infrastructure. It is an economic operating system that is designed to work with these intelligence operating systems and agentic systems.

And so driving utility, transaction volume and assets on Arc directly accrues to revenue to Circle as well. So we see the agentic stack as driving some revenue around the protocols themselves, but fundamentally driving stablecoin adoption, which drives revenue and driving Arc infrastructure adoption, which drives revenue as well.

Operator

Our next question comes from Ken Worthington at JPMorgan.

Kenneth Brooks Worthington
JPMorgan Chase & Co, Research Division

Can you talk about distribution and transaction costs associated with USDC on Circle platform?

I can't tell for sure, but it looks like costs specific to Circle on Platform USDC came down a lot from 1Q to 2Q.

Did I get that right? And if so, how did the mix of USDC on Circle Platform change? And how is mix change, including CPN, impacting what you're seeing in terms of distribution costs to win Circle on-platform USDC?

Jeremy Fox-Geen
Chief Financial Officer

I'll take that one, and Ken, thank you for the question. You're asking a very detailed question, and we don't give disclosure at the level of margin and mix within our platform and within the totality of USDC.

But in general, I think what you're seeing happening, and you can tell that from our guide is the overall margin, you can tell from the guide and what we printed in the first half of where we're seeing that coming out.

And we've always said there's a lot of puts and takes inherent in that mix. When you think of how USDC is used across the entire digital asset ecosystem and increasingly outside of the digital asset ecosystem and both on and off platform, there are pockets of heavily incentivized USDC.

There are large pockets and very large dispersed surface area of USDC that carries very little incentive at all. And so within any one quarter and over any period of time, there's movements in every single one of those pockets.

Now I appreciate that makes it very, very hard to forecast margin quarter-on-quarter, and that's the world we're inhabiting in. Now we feel very comfortable with our year-end guide overall. We've had puts and takes through the first half.

And as we said, the trajectory is still when you back out the $180 million of expected to be recognized revenue, the trajectory of that is pretty much towards the middle of our previously guided range.

Operator

And our last question this morning comes from John Todaro at Needham.

John Todaro
Needham & Company, LLC, Research Division

I was wondering if we could spend just a little bit more time on x402. I understand USDC pretty much dominates that right now at 99% plus.

There are some other competitors who are looking to launch stablecoins and operate within that. Is there sort of almost an inherent right to win for you guys within that x402 stack or even a benefit you could get from just more adoption within those payment channels?

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Yes. I mean we think about this a lot, and thanks for the question, John. So we were an early design partner in x402. We're one of the kind of key founding members of the x402 Foundation. There's a lot of great companies that are now involved in that.

And x402 effectively optimizes for on-chain payments and settlement. And I think in the agentic space, agents want actual money, so they want actual digital dollars.

They want to know that the infrastructure is something that can process in fractions of a second for fractions of a cent. They want to be able to transact where some of the transactions are as low as just a few cents themselves, and we see that in our own agentic marketplace and what people are doing with x402.

So all of those things lend themselves extremely well to USDC and to the blockchain infrastructure that we provide and many of our partner networks also provide. And so we absolutely have a right to win, and we are clearly winning.

And I think like other aspects of the market, where you see, for example, at the end of June, 70% of real-world stablecoin payment volume being USDC is that there are powerful network effects that exists. And so even the LLMs as they work with the agents that are deployed on them and discover like what can I use and what's available and what are other agents using, that actually is a network effect.

The intelligence layer itself is informed by the utility that exists and the scale of that, that exists. And so we feel very good about the strong position that we've already staked out there. And I think with the product stacks that are coming out of a lot of great companies, including obviously, Circle with a major push on our agent stack, we expect that to continue. And so I think we feel very good about the right to win, the network effects and the work that we're doing to promulgate this infrastructure into the intelligence layer itself so that USDC is the preferred form of money in the agentic economy.
And I guess with that, I think that's our last question. And I want to thank everyone, for joining us today on the Q2 earnings call. We're very pleased to share the results, and thanks for the question. Have a great day.