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Circle Internet Group, Inc.

Q3 2026 Earnings Call Transcript

Call Participants

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Presentation

Scott Blair

Senior VP of Strategic Finance & IR

Good morning, and welcome to Circle's Third Quarter 2026 Earnings Call. I'm Scott Blair, Circle's Head of Strategic Finance and Investor Relations. 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 and 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 concerning risks, uncertainties and other factors that could cause actual results to differ materially from those expressed in our forward-looking statements 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 these 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 take us through Q3 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 third quarter results. As I always do, I want to start at a higher level with where we are and why this is such an important moment. We are approaching an extraordinary inflection point. In January, the GENIUS Act goes into effect. That is the moment when digital dollars like USDC, become a federally recognized part of the U.S. dollar financial system. And with that, they also will become an even more important part of the global financial system as policymakers globally look to embrace this new regime.

Think about what that means. For more than a decade, stablecoins have proven their utility in digital asset markets and in a growing range of payments. But many of the world's largest institutions and corporations have been waiting for clear policies on stablecoins. That wait is ending. Banks, public companies, financial services firms, payments companies and technology companies can now build on regulated digital dollars with confidence. This is the moment digital dollars enter the mainstream, and we believe it will drive tremendous growth and opportunity for Circle.

And Circle is made for this moment. We hold a clear leadership position in digital dollars. USDC is the world's largest regulated digital dollar. And in the third quarter, it carried 79% of all stablecoin transaction volume. We have deep global liquidity, one-for-one minting and redemption around the clock through banking partners around the world. In Q3, a record $208 billion of USDC was minted and redeemed. We have built a technology infrastructure, one platform with USDC, the Circle Payments Network and Arc all live today. And we have Circle National Trust, federally chartered by the OCC alongside our New York Trust charter, giving the institutions that build with us a federally supervised foundation. This is Circle's moment. This is a turning point in the global adoption of digital currency and we hold the leadership position.

Over the next few minutes, I'll walk you through how that foundation continued to play out in the third quarter. Let me start with how we think about Circle because it shapes how you should read our results. Circle is a platform company. We are building 3 networks, and each 1 is a network effects business in its own right. In digital assets, the more USDC is adopted, the deeper the

liquidity and utility become, which drives more adoption. In Circle Apps led by Circle payments network, every new member and every new capability makes the network more valuable to everyone already on it. And Arc is far more than a payments chain. Arc is an economic operating system that brings money, financial assets, contracts and governance onto the Internet, connecting people and institutions all around the world. Every new builder and every new application makes it more valuable.

What makes this so powerful is that these networks compound each other. CPN drives demand for our digital assets and brings traffic and usage on to Arc. Arc attracts more and more applications that need digital dollars, and it is a superior execution environment for financial assets built on USDC, from tokenized real-world assets to onchain protocols.

And as USDC adoption grows, it creates demand for richer forms of payments and settlement, which brings more institutions to CPN. This is why we measure ourselves not only by what we sell but also by what others build and grow on our platform. This is not just about payments, and it's not just about digital dollars. It is about multiple compounding flywheels on 1 platform. Every new member, every new builder and every new asset makes the whole platform more valuable.

Turning to the quarter. Q3 brought major platform milestones and strong financial results. Total revenue and reserve income was $865 million, up 17% year-over-year and adjusted EBITDA was $317 million, up 85%. These results include $182 million from our ARC token presale. USDC in circulation ended the quarter at about $74 billion, flat year-over-year in a soft digital asset market. I want to be direct about that. Balances were flat, but usage continues to grow. USDC on chain transaction volume grew 49% to $13.9 trillion. And across our platform, the quarter was full of milestones.

Arc Mainnet went live on September 16, with 11 founding validators and more than 100 applications. CPN reached $41 billion in annualized payment volume up more than 15x year-over-year with 205 financial institutions enrolled. We announced an agreement to acquire Tazapay, which brings USDC to the last mile and accelerates CPN. We signed a new 5-year agreement with Binance alongside a $100 million equity investment in Circle and USDC and Circle are now on the front of Chelsea Football Club shirts. Each of these moves strengthens a different part of our platform.

Let me take them in turn. We are expanding USDC's reach around the world through both activation and awareness. On activation, Binance is the world's largest digital asset platform with more than 300 million registered users and 77% of them are in emerging markets. Our new 5-year agreement, alongside Binance's $100 million investment in Circle puts USDC at the center of that platform for years to come. That is distribution into exactly the markets where digital dollars matter most, where people need a stable, accessible dollar the most.

On awareness, Circle is now a principal partner of Chelsea Football Club with USDC on the front of the shirt for the 2026/27 season. Chelsea has over 650 million fans worldwide, and Premier

League matches reach 1.2 billion homes in 189 countries. As digital dollars go mainstream, we want USDC to be the digital dollar people know and trust. And this puts USDC in front of a massive global audience residing in many of the most important emerging markets driving stablecoin adoption.

Turning to payments. The Circle Payments Network had an outstanding quarter. At the end of Q3, annualized payment volume on a trailing 30-day basis reached $41 billion. That's up more than 15x year-over-year and nearly 3x since the end of June. Enrolled financial institutions grew more than 4x year-over-year to 205 and the momentum has continued. Sitting here today, as of October 30, annualized payment volume has already surpassed $58 billion. That is more than double the $23 billion we reported as of July 31 on our last earnings call, delivering over 150% sequential growth.

We are also building CPN into a full stack payment infrastructure. Treasury teams can now move USDC and EURC across subsidiaries and counterparties through the platforms they already use, including Kyriba and Tereina, which opens up integration with SAP ERP customers. We launched CPN on Arc mainnet, making Arc the preferred settlement layer for CPN. And we extended CPN managed payments to support payments from AI agents, expanding to support businesses, selling data, content and access. And we are using AI to run payment operations 24/7 supporting customer growth and reducing payment investigation times to minutes.

CPN is how banks, payments companies and businesses around the world plug into digital dollars without having to build the infrastructure themselves. Every new member brings new corridors and new counterparties. And every 1 of these capabilities makes the network more valuable for every member on it. That is the network effect at work.

Tazapay is a major step in that strategy, and it is a company we know well. It has been a design partner to CPN since 2025. Tazapay brings USDC to the last mile with bank relationships, virtual accounts and payout connections across APAC and emerging markets, reaching more than 100 payout markets through more than 60 bank and fintech partners. It processes more than $25 billion of annualized payment volume and about 60% of that volume already involves stablecoins. The last mile where payment lands in a local currency in someone's account is critical in delivering value in Global Payments.

Tazapay expands CPN's footprint, deepens our fiat connectivity and adds new capabilities for the payment providers and financial institutions building on CPN. The consideration is $400 million in Class A common stock, and we expect the transaction to close in 2027.

Now let me turn to Arc. Arc is the largest platform bet we have made since USDC. It launched on September 16, and it is live and scaling. What makes Arc different starts with who operates it. For the first time, a public blockchain is operated alongside the institutions that run global finance. Arc's 11 founding validators include many of the world's leading financial companies. That is an industry first, and it tells you what kind of network Arc is. And the industry is building on it, more

than 100 institutions and applications from global banks like BNY, HSBC, Societe Generale and State Street to payments leaders like JCB, Mastercard, MoneyGram and Visa to the largest exchanges to DeFi protocols like Aave, Morpho, Aero and UniSwap. And every major global crypto exchange now supports Arc across trading, custody and wallets. Major new perpetual exchanges are launching on Arc, and Kraken xStocks is bringing tokenized stocks and ETFs to Arc imminently.

The network is real and it is growing. As of late October, there's about $1.5 billion of USDC, cirBTC and EURC on Arc. More than $30 billion of USDC has moved on Arc since launch, recently about $1 billion a day and the network handles around 500,000 transactions a day with sub-second finality and fees under a cent and paid in USDC.

Looking ahead, Arc sectors will give each class of financial activity, its own purpose-built lane on the network, a privacy sector with opt-in confidentiality and selective disclosure for institutions, a payment sector a dedicated lane for high-volume payments, targeting more than 100,000 transactions per second and an agent sector with verified identity, mandates and audit trails for AI agents. These are in development, and they are what will carry Arc to mainstream scale and support the agentic economy.

Our focus now is clear. scale transactions, assets, integrations and new applications on the road to proof of stake and broad utility for the ARC token.

I want to spend a moment on the agentic economy because it is coming faster than almost anyone expected. When software can do real work, it also needs to be able to get paid for that work to pay others and to be trusted by people and businesses it has never met. That takes money that moves instantly anywhere in any amount. And it takes identity and reputation that travel with the agent. That is what we are delivering.

Over the past year, we have been building the full stack for it, wallets with budgets and spending controls, identity and reputation, discovery and payments at machine speed down to fractions of a cent. By the first quarter of 2027, an agent built on Arc can be found, hired, paid and trusted for the work it does. Imagine a 2-person start-up whose data service earns from other agents around the clock with no sign-ups and no invoices, a translation agent paid for every second of every live call it serves, a single founder running a whole business with a team of agents each with its own budget, or an engineering agent built in Manila, winning a buyer in Rotterdam, it has never met on its track record alone. This is not a distant vision. Already today, over 99% of agent payments on the x402 protocol settled in USDC, and nearly 2,800 endpoints are listed for agents in Circle's Agent Marketplace.

The defaults for how agents act in the economy are being set right now, and we intend to be the default.

Now let me turn to the stablecoin network itself because this is the most important thing to

understand about USDC right now. Stablecoin supply was steady through the quarter at about $274 billion, up 8% from a year ago, but usage tells a very different story. USDC carried 79% of all stablecoin transaction volume in the third quarter, up from 66% a year ago on roughly 27% of the supply. USDC on chain volume grew 49% to $13.9 trillion. Put simply, every dollar of USDC in circulation moved roughly 190x in the quarter, about 10x the rate of the next largest stablecoin. The money is moving and it's moving in USDC, that matters because circulation is the stock and transaction volume is the flow. Flow is where the network effects live in trading, in payments, in settlement, in collateral moving between venues. When businesses and markets choose a digital dollar to actually move money, they choose USDC, by a wide and widening margin. Over time, that usage is what builds durable demand for holding USDC as well.

That usage also runs on our liquidity infrastructure, and this is 1 of the most powerful parts of our story. In the third quarter, $208 billion of USDC was minted and redeemed up 42% from a year ago and a record quarter. That is about $2.3 billion every day, up from $1.9 billion a day in the second quarter and more than $520 billion so far this year. This is the primary market for digital dollars working at scale, 1 for 1 around the clock through banking partners around the world, moving value between the banking system and the Internet, is what makes USDC the settlement infrastructure for global digital markets.

USDC's primary liquidity infrastructure is the best in the world and it compounds, deep instant liquidity draws more venues and institutions to settle in USDC, which brings more flow through our pipes, which deepens liquidity further. It is 1 of the hardest things in this industry to replicate a real barrier to entry and 1 of the most powerful parts of our network.

Our other digital assets lead their categories too. EURC grew 92% year-over-year to EUR 413 million. And it means -- it remains the largest euro stablecoin in the world, now approaching EUR 500 million. And USYC at $2.4 billion in assets, up 230% year-over-year, is 1 of the largest tokenized money market funds in the world.

Let me bring this together. We are in an extraordinary moment. The financial system is moving on to the Internet and we have built the platform to meet its needs and its demands. We have the leading digital dollar. We are seeing great scaling and real traction across our newer platforms from CPN to Arc. The utility of our network continues to grow, and we are becoming more entrenched around the world every quarter. This is the mainstream moment. When this technology goes from reaching hundreds of millions of people to billions of people and millions of businesses. Circle enters this moment from a position of extraordinary strength. We have the trust that comes from being the most widely regulated issuer in the industry. We have the deepest liquidity of any digital dollar. We have a global network of partners, institutions and builders, and we have a platform that compounds with every new member, builder and asset. This is the moment we need to seize and we are investing to win in distribution, in partnerships and in scaling our platform.

Before I hand it over, I want to take a moment to thank Jeremy. Over the past 5.5 years, Jeremy has been an excellent CFO and partner to me and to everyone at Circle. He helped build the financial foundation of this company. He led us through our journey to becoming a public company, and he has brought discipline, clarity and judgment to every major decision we have made. On behalf of our Board, our team and our shareholders, thank you, Jeremy, for your tremendous service to Circle.

Jeremy Fox-Geen
Chief Financial Officer

Thank you for those kind words, Jeremy, and good morning, everyone. The last 5.5 years has been the honor of a lifetime and I could not be more proud of what we've accomplished together. While I'm excited about my next chapter, I'll leave Circle in a position of strength and with tremendous conviction in the company's future.

Now with that, let's get into the results. First, let's talk about our USDC business. Average USDC circulation was $73.3 billion, up 8% year-over-year and down 4% from Q2's high. We exited the quarter at $73.9 billion, up 1% sequentially and flat year-over-year. The reserve return rate was 3.54% for the quarter, down 61 basis points year-over-year. Sequentially, average rates rose 6 basis points following the Federal Reserve's rate hike in September. Together, that drove reserve income of $658 million down 8% year-over-year as higher average circulation was more than offset by the lower rate.

USDC, held within Circle's platform infrastructure increased 36% year-over-year to approximately $14 billion, representing 19% of circulation. Net reserve margin was 37.8%, up approximately 70 basis points year-over-year and down approximately 80 basis points from Q2. As we signaled last quarter, the sequential decline reflects the first full quarter of our Hyperliquid arrangement. Looking ahead to the fourth quarter, Q4 will also include a full quarter of our renewed Binance agreement.

Total revenue and reserve income was $865 million, up 17% year-over-year and 23% sequentially, including $182 million of other revenue from the $242 million ARC token presale. As we noted last quarter, ARC token presale revenue is recognized as certain performance milestones are met, with the minting and delivery of ARC tokens and the public mainnet launch in Q3, we recognized approximately 75% of the total presale revenue in the quarter.

Other revenue was $207 million. Excluding Arc, other revenue was $25 million, down 11% year-over-year and down approximately $8 million sequentially as we monetized fewer blockchain integrations in the quarter compared to Q2. Revenue less distribution cost margin was 52.4%, up 13 percentage points year-over-year and 11 points sequentially driven by the ARC token presale, which does not carry any distribution costs. Excluding the ARC token presale, RLDC margin was 39.7%, roughly flat year-over-year, and down approximately 150 basis points from Q2, reflecting

the decline in net reserve margin and lower other revenue.

I want to take a moment on the opportunity Arc represents, and how it creates value for Circle. Blockchain networks that serve as operating systems for economic activity have the potential to deliver extraordinary value. We believe the opportunity exists to build 1 of the most valuable networks in the world for economic activity on the Internet, and that's what we are building Arc to become. Circle is both the creator of Arc and 1 of its largest participants, which gives us a privileged position in the value the network creates.

Let me walk through how that value accrues to Circle. Arc creates value for Circle as network activity grows. We capture that value through staking rewards as ARC tokens are sold or distributed and through our Arc Holdings. This gives Circle unique flexibility in how and when we realize value from the network. Circle earns revenue from Arc in 3 ways, all recognized as other revenue.

The first is staking rewards. Once Arc transitions to proof of stake, we expect to stake Circle's ARC token Holdings and participate as a validator earning ARC tokens in return. The revenue we earn depends upon the number of tokens we stake, the network’s reward rate and the price of the ARC token when received. This is expected to be Circle's primary source of recurring revenue from Arc and we expect it to build over time.

The second is token sales. We may sell ARC tokens selectively to advance the network's development. And because there are no associated costs, token sale proceeds flow directly to the bottom line. The third is ecosystem incentives. ARC tokens will be used to incentivize developers, partners and broader participation in the network. As ecosystem incentives are distributed, we recognize their market value in other revenue with an offsetting entry in other distribution costs, which recognizes the fact that we have given these tokens away.

Lastly, Circle's Arc Holdings, our 25% allocation, represent value that is not reflected in our financial statements under GAAP. That value is recognized only as tokens are sold or distributed and any appreciation in the network is not reflected in our reported results until then.

Now returning to the quarter. Here, it is from top to bottom. Starting from the $865 million of total revenue and reserve income, I covered it earlier, less $412 million of distribution transaction and other costs RLDC was $453 million, up 55% year-over-year. Adjusted operating expenses were $139 million, up 13% year-over-year, driven by continued investment in infrastructure to support Arc and AI and in marketing, including our partnership with Chelsea Football Club.

Sequentially, adjusted operating expenses decreased by approximately $8 million or 5% and largely driven by nonrecurring costs in Q2. That brings adjusted EBITDA to $317 million, up 85% year-over-year, including the ARC token presale. Adjusted EBITDA margin was 70% or 50%, excluding Arc.

Turning to guidance. I'm starting with other revenue, we are maintaining our full year guidance of $310 million to $330 million. That includes the $182 million of ARC token presale revenue we recognized in Q3 and $130 million to $150 million from the remainder of our products. With only 1 blockchain integration in Q3, but several expected in Q4, we expect other revenue excluding Arc to step up in the fourth quarter.

Turning to RLDC margin. We are reaffirming our full year range of 41.7% to 43.7%. Excluding Arc revenue, we expect full year RLDC margin to come in near the midpoint of our original guidance range of 38% to 40%. As I mentioned earlier, Q4 will be the first full quarter reflecting both our Hyperliquid arrangement and our renewed Binance partnership. Now these agreements are investments in distribution, placing USDC at the center of 2 of the most important venues in digital assets and are designed to grow USDC circulation and RLDC dollars over time.

On adjusted operating expenses, we continue trending towards the high end of our original $570 million to $585 million range.

Turning to USDC circulation. Our multiyear through-cycle framework is unchanged. We remain confident in the long-term opportunity while recognizing that growth will not follow a straight line. As we approach the end of 2026, every layer of our platform is now live, from USDC to CPN to Arc. USDC carries nearly 80% of stablecoin transaction volume, and Genius is about to make regulated digital dollars a core part of the financial system. CPN has grown more than 15x in a year, and Arc has created a $3 billion token asset and is live on mainnet with a world-class validator set and a myriad of builders. We've built Circle for this moment, and we have the financial capability to lean into it. With that, I'll turn it back over to Scott to start Q&A.

Question and Answer

Scott Blair
Senior VP of Strategic Finance & IR

Thanks, Jeremy. We'll start Q&A again with a few questions that we collected from our retail shareholders. Our first question comes from Lufei, who has a question about CPN. CPN already supports cross-border payments into Hong Kong. If Circle were licensed to issue USDC in Hong Kong, what's the first service your local team would want to offer businesses that it can't offer today?

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Thanks for the question, Lufei. I think it's a great question. I think a couple of things that we've talked about in the past. The first is that Asia remains, I think, one of the most significant markets in the world for our platform. USDC demand CPN by far, as you noted in your question, driving

significant volumes as cross-border settlement in Asia is a really major part of what we see. And even interest in Arc and what's happening with Arc, we're seeing a lot of that coming out of Asia. So Asia is just overwhelmingly I think, the largest market that we see activity in.

Now I think specific to the question, we are very focused on how we can bring the advantages of USDC, more deeply into Hong Kong. I think one thing that ties back to one of the comments I made earlier is we already provide institutional-grade primary liquidity for USDC in Hong Kong. That liquidity infrastructure I talked about earlier, we work with global systemically important banks that provide access to USDC, to institutions in Hong Kong, and that's critical. So the infrastructure for cross-border, the infrastructure for digital asset market participation and the like, we have some foundations there.

We are engaged with the Hong Kong government and very much believe that their stablecoin regime, which creates a framework for foreign-issued stablecoins to be available in their market is one that we will be successful entering. I think tying back to my earlier comments as well, with GENIUS Act going effective in January, major central banks around the world have been waiting for that moment themselves because then they can essentially have regulatory reciprocity and have an understanding of the like-for-like regime.

So what does that mean for us? It means look, merchants, sellers, businesses and investors out of Hong Kong interact with the dollar financial system already today on a huge scale. And we believe that digital dollars such as USDC and payment networks such as CPN and blockchain infrastructure such as Arc, all of those present a tremendous opportunity for that connectivity between essentially Greater China and the rest of the world that is going to interact over this Internet financial system. We believe that it presents for us one of the largest market opportunities in the world.

Scott Blair
Senior VP of Strategic Finance & IR

All right. Our second question is from Rachel on the Say platform, who asks, revenue and profitability has not kept pace with the adoption of USDC. What milestones should investors watch over the next 12 to 18 months to assess Circle's ability to grow earnings beyond interest income. When do you expect noninterest revenue to become a meaningful contributor?

Jeremy D. Allaire
Co-Founder, Chairman & CEO

I mean I'll take that. I mean, looking just at this quarter, we had a record amount of other revenue. We were monetizing Arc and obviously, monetizing other parts of the platform, as we look forward with CPN scaling, as we talked about this quarter and a focus on monetization with the integration of more monetization and product capabilities into CPN through the acquisition of Tazapay, and with the transition of Arc to a proof-of-stake network and the broader utility for ARC token and all

of the monetization opportunities that presents, all of those combined are, I think, very meaningful and we believe will contribute to, I think, strong continued diversification in the revenue stream.

So we're building this multifaceted, multi-pillar platform. These other platform investments have been investments and now they're starting to generate real income and returns for us, as shown even in this quarter's results.

Jeremy Fox-Geen
Chief Financial Officer

And I'd just add, we're not commenting at this time on our other revenue outlook for the financial year 2027. We'll do that at our next earnings when we give more formal guidance.

Scott Blair
Senior VP of Strategic Finance & IR

All right. Our third and final retail question is from Jessica, also from Say, who asks as competition from other stablecoins increases, what is your strategy for returning USDC circulation to sustained growth while protecting margins. How does management expect the balance between USDC growth, partner incentives and profitability to evolve in the near future.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Yes, I'll take the first part of that, and maybe Jeremy can also address it. A few things and things that we've been saying consistently. We are absolutely going to continue to lean into distribution. We are at a really critical moment. In digital asset markets, we're winning distribution partnerships with the biggest, most important platforms in the world. Those drive liquidity, those drive network effects and those drive broader adoption from what we do.

The second, and I think this is important on competition. I think a recently launched stablecoin, is doing maybe $5 million a day of on chain transaction volume compared to our tens of billions, or maybe a couple of hundred thousand dollars of daily trading volume versus, again, sometimes our nearly $10 billion of trading volume.

So liquidity and the infrastructure we have is a huge competitive advantage. And by building these distribution partnerships that we are, by building these banking and financial institution partnerships that we are, we strengthened that network, and we strengthened those network effects. And those are critical to winning and growing significantly over time.

I think the other piece is that the investment in this infrastructure and the balance between what effectively is incentives for partners versus effectively what becomes drivers for broad-based circulation is an interesting trade-off that we're going to see play over time. And I think we're in the early innings of the growth in stablecoin. I think ultimately, we see this as a multitrillion-dollar

market and we want to make sure in a winner take most structure, we're the most of the most.

Jeremy Fox-Geen
Chief Financial Officer

And I'd add on to that, as Jeremy said, look, we're building for the long term, we and others are incredibly optimistic about the long-term potential of stablecoins and for more and more of the world's economic activity to take place using these new technologies. Now we're building to win that with distribution and liquidity, as Jeremy said. The point I want to make is, more and more people are already choosing to use USDC over any other stablecoin. That is growing, right? USDC transaction volume grew 49% year-over-year and share grew to 79%, of all stablecoin on chain transaction volume.

Now we're building for that long term. And as that activity grows, more people are using USDC, and we expect that to pull through into circulation growth over the longer term.

Scott Blair
Senior VP of Strategic Finance & IR

Thanks, guys. That's great. Now before I turn it over to the moderator, I want to thank Lufei, Rachel, Jessica and everyone else who submitted questions this quarter. With that, I'm going to pass it over to Jenise who will begin the live Q&A.

Operator

To kick off our analyst Q&A, we have Pete Christiansen from Citi.

Peter Corwin Christiansen
Citigroup Inc., Research Division

Very exciting trends. Jeremy Fox-Geen best of luck in the next chapter. I mean -- the Arc launch, you stated that the spectacle era of crypto is over, and that we're entering a period where blockchain increasingly fades into the background as a foundational layer for financial infrastructure. I guess if we look across Circle's investments across USDC, CPN, Arc agent stack, enterprise partnerships, so what have you. Where do you think the industry is still further from that vision? And what's the single biggest bottleneck that Circle spending the most time and resources trying to solve right now.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Yes, it's a great question. I think a lot of times, there's sort of a similar question, sort of like what does it take for all of these kind of mainstream utility applications to come online. I think the good news is every single quarter, we just see more and more evidence of that. I mean if you just look at the companies that are actively building on Arc, and you just go a year before or a year before that and just think about the incredible change, it's phenomenal. The world's leading banks, the world's

leading capital markets firms, the world's leading payments firms, asset management firms, like this is the core of the mainstream of the financial system, and they're all leaning in. They're operating the infrastructure, they're building on the infrastructure, they're building products for the infrastructure. That is a sea change.

Now that's the beginning, obviously, of a scaling out. That is the -- as I stated at the beginning of the call, that is the beginning of this sort of mainstream moment. And so what have we been focused on getting the infrastructure right, making sure that digital dollars are foundational regulated forms of money in the U.S. and global financial system, check. Making sure you've got the infrastructure designed in a purpose-built way for traditional financial firms with the prudential standards, safety standards, features and scalability and economic model work for them.

That's what we've been building now for 2 years with Arc, check, right, making it abstracting way the complexity of all this so that if you want to plug in and move value around, you don't have to worry about all of the underlying compliance in blockchains and custody and -- infrastructure and be able to move money seamlessly. That's what we've been building with CPN, check.

Every single thing we're doing is building for enabling that. And in the quarter, it was amazing. I mean we didn't talk about some of this, but Lloyds Bank settling cross-border payments with USDC. Visa connecting their global money movement platform Visa Direct to be funded in USDC. Walmart's finance subsidiary, OnePay adding support for USDC, Samsung putting USDC in all of their mobile phones and their mobile wallets. These are big milestones that again, even when we went public 1.5 years ago, would have been watershed moments. These are happening every week, every month, lots of these things happening. So I think we're seeing it very encouraged by it.

Jeremy Fox-Geen
Chief Financial Officer

Those are illustrations of the network effects we talk about. We've built the broadest distribution of any U.S. dollar stablecoin. We've built the deepest liquidity secondary and primary of any U.S. dollar stablecoin. That takes time to build. It costs money to build. And we've been investing and building in this for years, and I think that's starting to show fruit as the market turns, people are building on our infrastructure, and we are incredibly well positioned for future growth.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

One last comment on this, Pete, which I think is helpful is this whole tokenization phenomenon, which is really about taking financial contracts that exist in the existing financial system and putting them on chain, enabling them to get the benefits of on chain infrastructure, liquidity, trading and innovation. That's happening with speed. I mean we're seeing announcements and we've seen regulatory rule-making on this. And so we're seeing a lot of things progressing. And that is a kind

of a new chapter in digital assets. And we talked last quarter about how much of the trading volume of digital assets had shifted into these real-world assets. So I think -- that's going to be a very big story, and that's something that you'll see a huge amount from Circle around as we go forward on Arc and in coordination with what we do with our digital assets business as well. Thanks for the question, Pete.

Operator

Our next question comes from James Yaro at Goldman Sachs.

James Edwin Yaro

Goldman Sachs Group, Inc., Research Division

Jeremy, it's been great working with you. Good luck in your next role. I wanted to touch on the Binance partnership. Could you speak to the drivers of how the updated partnership is structured as well as any detail on the economics to the degree that you're willing to comment on that.

And finally, do any of the recent events at Binance impact your partnership at all?

Jeremy D. Allaire

Co-Founder, Chairman & CEO

Yes, great question. So I mean I don't think we break out the details on the economics on the partnership. I think at a high level, it's a marketing and distribution and product relationship. They have a strong economic incentive to market, distribute and integrate USDC as a primary digital dollar across their platform, and we're seeing that happen, which is great.

And of course, JFG can comment as well as just overall how we think about that in the mix. I think he had some comments about that, as we look forward. But I think having a platform with several hundred million people in the most important critical markets, putting USDC front and center is a tremendous opportunity for us. And so we're very excited about what that can be and how that will develop and transpire.

I think on the question, obviously, we are in an environment right now where cyber attacks, AI-based cyber attacks both by criminals, by nation states by others are happening with an extraordinary accelerating velocity. And I think we're very, very sensitive about that. I'm sure everyone who's on the call is as well. And so we're seeing that. And I think in the digital asset space because digital assets themselves are bearer assets or some of them can be used as bearer assets, it makes it very attractive to hostile actors.

And so I think the breach that happened last week is obviously a huge number. I think the execution of how that was handled by Circle, by law enforcement and by actors across the industry was actually very, very strong. And so I think that was a positive thing.

Look, I think Binance remains an extraordinarily powerful platform. Their liquidity distribution reach

remains incredibly strong, while they have had some pressure following that with people withdrawing actually just in the last 24 hours, we've seen $2.5 billion of net deposits into Binance. And so I think there's a moment and people are actually returning.

So obviously, we're going to watch all that very closely. James, we saw your note that you put out just sort of generally, how does this affect how regulators, institutions, others think about this. Obviously, we're highly attuned to that. I do think that global regulators are absolutely going to continue to put further scrutiny on cyber, on security infrastructure not just in digital asset exchanges, but for every FI including Goldman, as you know.

And so just a very, very different era on that. And I think we will see more regulation around that because the stakes are really very high.

Jeremy Fox-Geen
Chief Financial Officer

And James, I'd add some comments on the economics in addition to what Jeremy said. At the strategic level, we've talked many times about how we want to incentivize the most important platforms in the digital asset ecosystem to lean heavily into USDC, right? You see that with Coinbase as a founding distribution partner founding partner of ours, increasingly with Hyperliquid with Binance and with others. We want these companies to be very incented to lean in we believe and history has shown that the greater the activity on those platforms, the greater the activity and growth of the USDC ecosystem overall i.e., in USDC that is not held within those highly incented platform infrastructures.

We've seen that prove out over time, and we're confident that will continue to prove out and accelerate into the future. On the economic specifics, while we haven't called out the details of the Binance agreement specifically, I did say in my comments on guidance, that the full year margin, excluding the ARC token presale was trending towards the middle of the original range we gave at the beginning of the year. You can do the kind of backward math from that, and you'll see the step down that we anticipate in Q4 due to the full quarter of the Binance incentive arrangement being recognized.

Operator
Our next question comes from Owen Lau at Clear Street.

Owen Lau
Clear Street LLC

I apologize for my camera. It's not working in the morning. But first of all, Jeremy best wishes to your next step. My question is on agentic commerce. So one of the big focus recently was AI personal assistants such as Muse and Instinct, it looks like some of the AI personal assistants use traditional rail and some other use blockchain rail for payments. Could you please add more color

on how Circle work with these personal assistants and end points to drive adoption?

Jeremy D. Allaire
Co-Founder, Chairman & CEO

It's a great question, Owen. So a couple of things on this. I think one is that we are still in the very early stages of how agents hold value, transact and what they transact for. I think this very first wave of kind of consumer agents that do shopping for you or things like that, kind of connection to the card products and existing card rails is a very natural first step. I think our view is twofold. I think one is that the kind of order of magnitude shift in agentic payments and agentic economic activity happens when agents are paying other agents, where the work is being conducted across agents where the agents themselves become economic actors, and the nature of the value exchange is very, very different and potentially much smaller transactions, different structures of transactions, transactions that involve effectively contracts between the agents and deals that the agents make with each other that need to be enforced programmatically with things like smart contracts.

And so there's a huge shift that is going to unfold. And we are building that stack. We are building end-to-end stack for that. And in fact, because we have some of the very best Fiat interoperability infrastructure in the world, you can expect us to also ensure that the agents that people build on Arc and the agents that people integrate with have that fiat interoperability as well. So that's something that we're very specifically have tuned to.

But what I would also say, it's really exciting is the network effects that already exist for our stack and our standards in USDC, are already playing out. So for example, the new agent wallet that Stripe is making available is something that actually integrates into, I think, the instinct agent, personal agent, and actually, the way it works is when you fund it, it actually holds the balances in USDC, and it's in a digital wallet. And the USDC can either be spent through a card transaction or could be spent directly otherwise. There's some really great technical posts from the team that built it that came out last week that talked about it.

And so I think essentially, on chain money and the flexibility of that as a stored value mechanism for agents to be able to kind of move either agent to agent with these high-speed transactions or kind of settle it into a legacy card transaction is going to be a really powerful structure. And in fact, again, it gets to the strength of our network today. The biggest card networks in the world take settlement in USDC, so if you need to settle with them then those pipes are already in place. And so something like a link wallet or link agent wallet can both settle with the card networks with USDC and can make direct transactions and use those on chain with the USDC. And so we're finding penetration into this world in a lot of different ways.

Thanks for the question.

Operator
Our next question comes from Ed Engel at Compass Point.

Edward Lee Engel
Compass Point Research & Trading, LLC, Research Division
It looks like your distribution costs declined this quarter despite Coinbase revenue increasing with the Hyperliquid agreement. Can you explain what's driven, I mean the decline in the non-Coinbase distribution costs? And then as a quick one, is there any upfront cost associated with the Binance renewal?

Jeremy Fox-Geen
Chief Financial Officer
So I'll take those. There are no upfront costs associated with the Binance agreement, and we don't comment specifically on kind of the puts and takes that we've talked about, in general terms, many times in each of our different distribution agreements. We have many of them, and some of them ebb and flow with different amounts of stock and different amounts of incentive through any quarter.

What you saw though defining net reserve margin this quarter we talked about at the beginning was the sequential decline in margin, which is largely due to the Hyperliquid agreement, which balances are on Coinbase. So you can kind of work through the math on that one.

Operator
Now we have a question from Cassie Chan at Wells Fargo.

All right. Great. We're going to move on then to John Todaro from Needham.

John Todaro
Needham & Company, LLC, Research Division
Appreciate you. I just wanted to go back to James' question earlier, from our standpoint, we see some of these hacking risks, especially driven by AI is the biggest concern for on chain digital assets in 2027. So -- is this an industry wake-up call? And can -- is there consortiums you guys can develop? Just wondering what steps if additional can the industry take to try and get a better handle on this.

And you guys are kind of less directly involved, but if you start seeing customers pull more assets from exchanges, obviously impacts the partnerships around USDC, so there is some tie with Circle. So just wondering if, Jeremy, if you see any kind of steps the industry can take?

Jeremy D. Allaire
Co-Founder, Chairman & CEO
Yes. I mean, look, the answer is absolutely yes. And I would say a few things on this. So one is, this

has been a rapidly evolving environment now for some time. And I would say, you need to have kind of, they're sort of the infrastructure itself which I'll come back to. And then there's essentially, what I'll broadly call kind of industry response and how organized and official that industry response is. And then really critically is government and law enforcement response, and essentially getting those all to work together is really the key.

And so what does that mean? At the infrastructure level, for asset issuers like Circle to ensure that we have the infrastructure to be responsive in emergencies and with coordination with law enforcement to be able to stop thieves in their tracks, right? That's one critical thing. It goes deeper than that. Again, I have a little bit more of a comment there in a second.

The second is on the industry response side, essentially, it is the leading infrastructure firms, the leading on chain protocols, the leading blockchains, the leading exchanges and the leading custodians having essentially real-time monitoring and real-time communications channels for cyber-related incidents and having those also in coordination with the forensics and analytics and other providers. We're seeing that happen. So we're seeing that kind of organization start to exist.

And I think you'll probably see some of that more formalized emerge as well. And then on the government side, I mean, I think this is, governments needing to deal with cyber response on AI swarms and AI threats is obviously the single biggest issue facing most advanced in any country in the world, and we're seeing that play out on a daily basis. And so those responses are not just for financial integrity. They're with critical infrastructure, many, many other things, as you know. But I think the government response is getting more rapid, and we're seeing that now. We're seeing that when incidents are happening, our ability to work and coordinate with the top global law enforcement is stronger than ever.

So those are all, I think, important things. But I do think there is another issue here, and it relates to actually Arc, and let me tell you why. A, prudentially a blockchain infrastructure that is designed with prudential safety in mind that is operated by a known set of actors whose infrastructure are held to high standards of compliance and information security. That is how Arc is designed and building an infrastructure that can, in fact, provide greater assurances around operating safety, then can a permissionless infrastructure where you don't know who the actors are and where you can't -- there are certain actions you can't take. That is a trade space that is going to exist. And so as major financial institutions think about where am I going to put my assets, where am I going to deploy code that runs smart contracts that enables value exchange or other activities. They are absolutely going to be asking, are the networks and operating systems I'm deploying on held to these very high standards.

It's like the early days of cloud, cloud early on, the CIA wasn't going to run their stuff on it or major banks weren't going to run their stuff on it. And eventually, the standards got strong enough. We're going to go through that change in blockchain infrastructure itself. That is one of the major reasons

why Arc is designed and operates the way it does, and we think it will be in a better position to deal with the kinds of security and emergency response vectors that may be needed to make this mainstream infrastructure.

Operator
Our next question comes from Joe Vafi at Canaccord.

Joseph Anthony Vafi
Canaccord Genuity Corp., Research Division

JFG pleasure, best of luck on your next endeavor. Hopefully, our paths cross again. Maybe we just. Maybe we drill down on GENIUS a little bit more. I know you mentioned some of the treasury management integrations and the like. Just how aware do you think Fortune 500, Global 2000 are this opportunity to integrate stablecoins. How you see this kind of play out a little bit here after GENIUS is enacted. Just kind of looking for maybe your views of how this evolves over the next 6 to 12 months.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Yes. I mean, look, obviously, I led the call with thinking around this. Like we just think that this is just such a pivotal moment, and if you're a large global company, if you're a public company, if you're a treasurer or a CFO of a public company or you run a regulated financial institution, you are not going to start building on digital dollars and weaving them into your infrastructure even if they're better, faster, cheaper. Even if they have new innovation in utility until they are codified into the financial system.

So that is -- and it's just I cannot understate how significant of a milestone that is. Now what's interesting is that there are other kind of bodies of work that are happening in parallel. So FASB, which sets obviously critical accounting standards is very near finalizing their standards for the accounting treatment of payment stablecoins that would be issued and regulated under GENIUS. And it creates a framework for providing that these are cash or cash equivalent instruments. That is a very big deal. That is a key, key moment as well.

And so these things are kind of aligning so that treasurers can look at this for the merits of the technology, the merits of these very safe full reserve instruments, the ability for them to work globally. And so we are already seeing those conversations start. Every quarter, there's more and more really interesting, both partnerships and major companies that are taking this on.

I think as we come into 2027, infrastructure, policy, liquidity, integration with global banks globally, like all these things are turning on, and it really is, I think, going to be an exciting year for mainstream companies that are starting to integrate this far, far more across their operations, and it

is a growing part of our business development efforts on a global basis as well.

Jeremy Fox-Geen
Chief Financial Officer

I build a little on that, talking to a lot of CFOs and treasurers of the companies you're referring to. Necessary things to happen before CFOs and treasurers will use digital dollars. Jeremy mentioned several of them, codification into law bringing digital dollars into the financial system, clear rules for accounting and tax. That isn't -- the first has happened. Those are in the works. Very importantly, integration into the existing systems that treasurers use today, right?

We talked about integration into software that works with SAP, treasury management systems. CFOs don't want to have to build parallel workflows to control digital assets in order to reap the benefits of those new technologies, not unless their business case is a business imperative to do so, and we've seen that with sort of global payout use cases where people are early adopting building on stablecoins. It's these necessary integrations that make it easier for people to reap these benefits. And all of these integrations are now being built and are being put in place. So we're really optimistic about the future for this.

Operator

And our final question of the morning comes from Andrew Jeffrey from William Blair.

Andrew William Jeffrey
William Blair & Company L.L.C., Research Division

Appreciate squeezing me in here. Very helpful. I think the slide on Arc monetization. I wonder if you could talk a little bit about how that ties into CPN. We've seen some terrific annualized volume improvements on CPN. Can you talk about the economic and monetary model on CPN and sort of how it will sort of help turn that flywheel with the rest of the USDC ecosystem and perhaps also comment on timing for Arc to move to proof of stake.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Sure. Yes. I mean a couple of things. I think -- and I touched on this in my comments as well. So CPN itself, obviously, we're very, very pleased with the -- I mean, just since we last talked to you guys live at the end of July to now, 150% growth in annualized run rate volume, which is really phenomenal. And we're very excited about the progress that's happening there.

Now as we go forward, now that Arc is live, what you would expect is that the traffic of CPN and the settlement volumes of CPN, we will be moving more and more onto Arc. And that's really great because it has multiple effects. So it drives traffic and value and it drives effectively fee revenue into Arc and all the validators on Arc. It drives all the counterparties, the hundreds of financial institutions who are on CPN to adopt Arc as a primary infrastructure for settlements, which then

cascades across other use cases and applications at those payments firms, those financial institutions that those banks might use. So it sort of makes Arc operations ready across this ecosystem and this rapidly scaling ecosystem, which is great.

And so there's sort of second order effects in terms of other utility that might be brought to Arc beyond just the CPN traffic. And then obviously, CPN itself is a primary utility for USDC and EURC settlement is sort of primary utility from CPN. And so that's intrinsic demand that exists there. And then I would say, finally, Arc is bringing forward new novel things. So with Arc, we launched something called StableFX, which is essentially a real-time FX atomically swappable FX protocol. It runs on Arc. It uses not just Circle stablecoins. It uses around a dozen other currency stablecoins. And as we get the liquidity on that stood up, that is an Arc infrastructure that then becomes -- think of it as like a backbone for how you can drive towards even more efficient capital-efficient and speed and cost efficient real-time FX inside of CPN itself. So these puzzle pieces fit together in these different ways. And so StableFX has its own fee revenue model as well, sitting on top of Arc, et cetera. So those are how some of these pieces fit together.

Jeremy Fox-Geen
Chief Financial Officer

And Jeremy has talked about like how those network flywheels power each other and how Arc and CPN and USDC, each of them is a network business with a network flywheel, all of which reinforce each other. Part of your question it was about sort of the revenue model of CPN specifically. Again, we're not we're not commenting on kind of 2027 guidance just yet. But looking back to what we said last quarter, we are now beginning to monetize CPN, and this is a priority for us going forward. So we have started to monetize some of the CPN flows, and that is going to grow over time and next year as well with the closing of the Tazapay acquisition and the integration of Tazapay into CPN overall. We expect to see material revenue from CPN in 2027, and we'll be talking about that more at our next earnings call when we give kind of other revenue guidance for the year.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Two final thoughts on this that actually are important to land for everyone here. I think one is our general philosophy is that on chain infrastructure, digital dollars, stablecoin money, the protocols we build around it, that on chain infrastructure will drive the cost, the marginal cost of storing and moving value down considerably from where it is. And so I think anyone who's sort of taking a comp and saying, "Hey, this payments company makes 10 to 15 basis points or this payment company makes 20 to 30 basis points." that's the wrong comp.

Jeremy Fox-Geen
Chief Financial Officer

Or 2%.

Jeremy D. Allaire
Co-Founder, Chairman & CEO

Or 2% or whatever it is. That's the wrong comp. When this achieves scale, it's going to have enormous velocity and the unit costs are going to be much, much lower. That is a benefit to people and businesses and households, et cetera, around the world. That is what we're shooting for. We are not shooting to -- let's go repeat the margin structure of the existing payments industry. This is about compressing it, compressing it materially. And that is what we're shooting for.

And so when you think about your own modeling for what that looks like, we want these bit numbers to be very, very big with huge network effects and huge velocity with very, very low unit costs. That's what this looks like. That is what we're doing. So that -- it's an important thing to land.

The second is, in addition to focusing on monetization, we are also very focused on ensuring that this isn't just essentially fiat to fiat where the money comes in and goes out. We want those balances to be sticky. We want to make sure that the merchants, that the businesses, that the people on the ends of these networks are going to store value in digital dollars or digital euros or other digital assets. We want them to stay sticky. And so the general utility of the money itself and of the value that people get out of it as working capital as investable capital as capital that can be borrowed and lent, et cetera, that's also really critical.

And so we're focused on monetization. We're also very focused on growing the balances that the nodes on the network hold. And I think the starting point has been what people call the stablecoin sandwich, hey, I've got fiat in an account here, and I want to get to fiat in an account there and you're kind of moving in it out. And in fact, if you look at the record minting and redemption volume, $208 billion in the quarter. That reflects the fact that these pipes work for settlement. People are moving value in and out with great speed and efficiency. And so it is work that -- it does work that way.

But strategically, we obviously -- we want to drive cost down unit cost of payments down, and we want to grow balances and increase the general utility of that money. So that's just philosophically how we look at it and strategically how we're aligned. Thank you for the question. I think with that, we're going to wrap up today's earnings call. Thanks for all the great questions and for tuning in, and we'll see you soon.

Jeremy Fox-Geen
Chief Financial Officer

Thank you, everyone.