coinbase | Institutional

Corporate Treasury FAQ

February 2021

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Introduction

At Coinbase, we are acutely aware of the numerous considerations that publicly traded and private companies have when it comes to making a decision to invest in digital assets.

Since our founding in 2012, Coinbase has held bitcoin and other crypto assets on our balance sheet. Investing in crypto assets required us to develop new investment, accounting, and tax policies, as well as ensuring that we established a control environment for purposes of receiving unqualified audit opinions on our financial statements.

This experience — along with our track record of security, sophisticated execution capabilities, 24/7/365 white glove service, and regulatory approach — make Coinbase a trusted partner, able to guide other companies through the tactical work of executing trades in an efficient and cost-effective manner, and custody assets.

As companies look to diversify their corporate treasury into crypto assets, they need a partner who understands their unique concerns — a partner who has worked through those considerations before and is able to answer questions about entering the asset class based on its own deep understanding of the market.

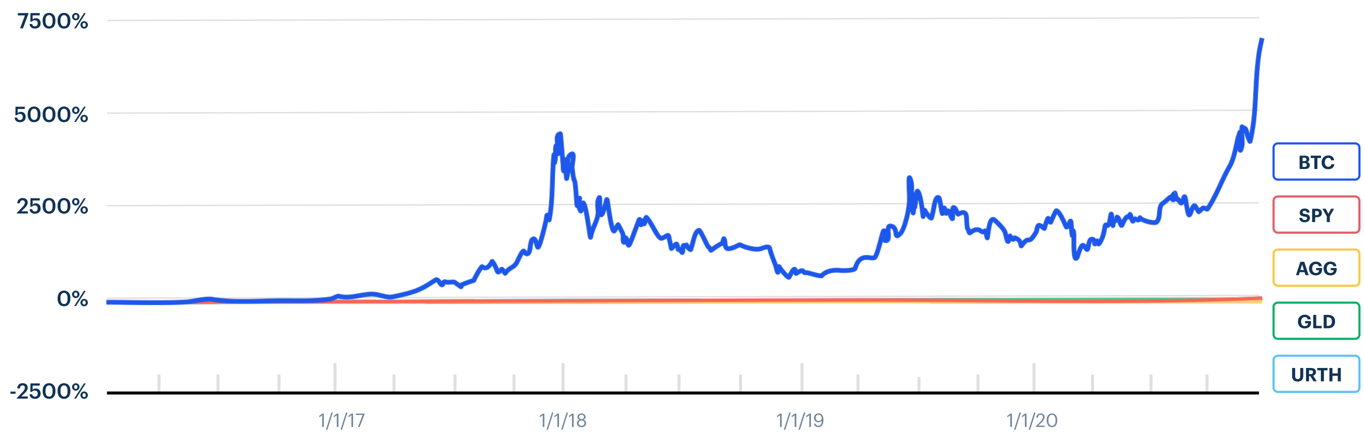
In this document, we walk through typical questions we get from corporate clients interested in making digital asset allocations. Starting with the 30,000-foot view, we first provide an analysis of crypto as an asset class before moving into more targeted questions on how trades are planned and executed. We then touch on tax and accounting treatment of crypto, common questions on compliance and regulation, and talking points for your investors. Lastly, we provide more details on why many corporate clients choose to work with Coinbase when they enter the digital asset world.

Macro perspective

How has crypto performed vs. other asset classes?

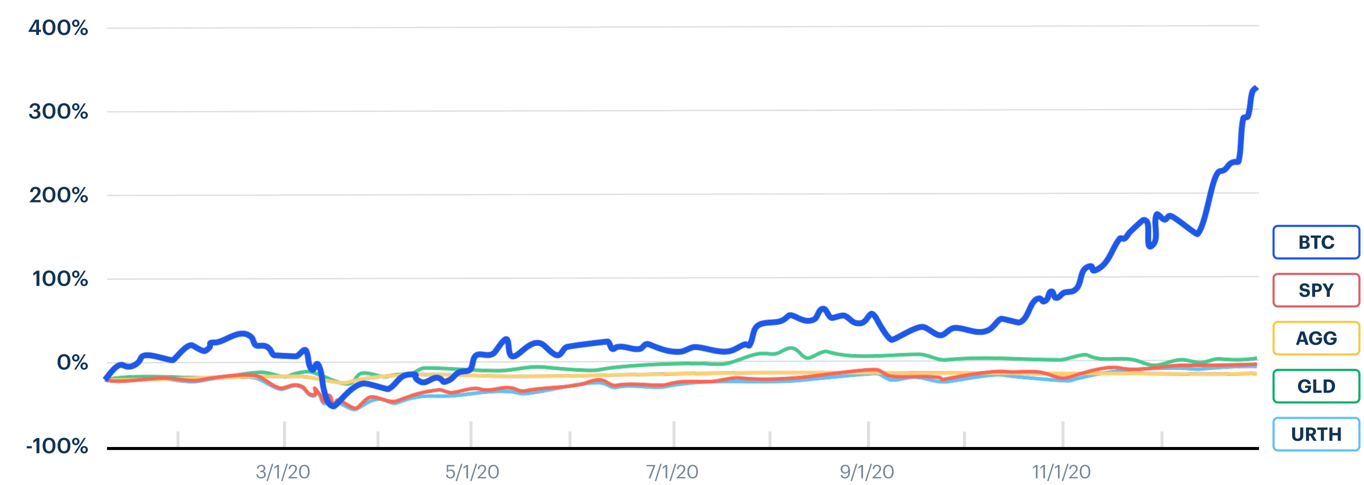
Beginning with bitcoin, an investment since 2016 or 2020 has outperformed other key financial assets, including the S&P 500 and gold.

Exhibit A: Bitcoin vs. other assets (2016 - Present)
Source: Coinbase



BTC started at $7,215 in January 2020, and ended the year at $29,185 (+305%) with a 69.1% [1] share of the $781 billion[2] total crypto market capitalization. Since then, BTC rose to an all-time high of $48,463.[3]

Exhibit A continued: Bitcoin vs. other assets (2020 - Present)
Source: Coinbase

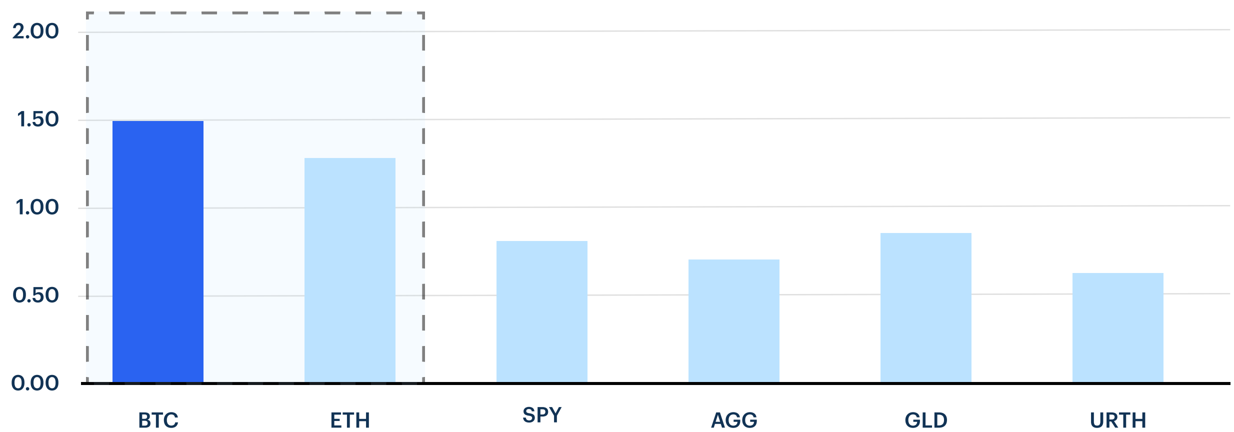


1 CoinGecko
2 CoinGecko
3 CoinGecko

How has crypto performed vs. other asset classes?

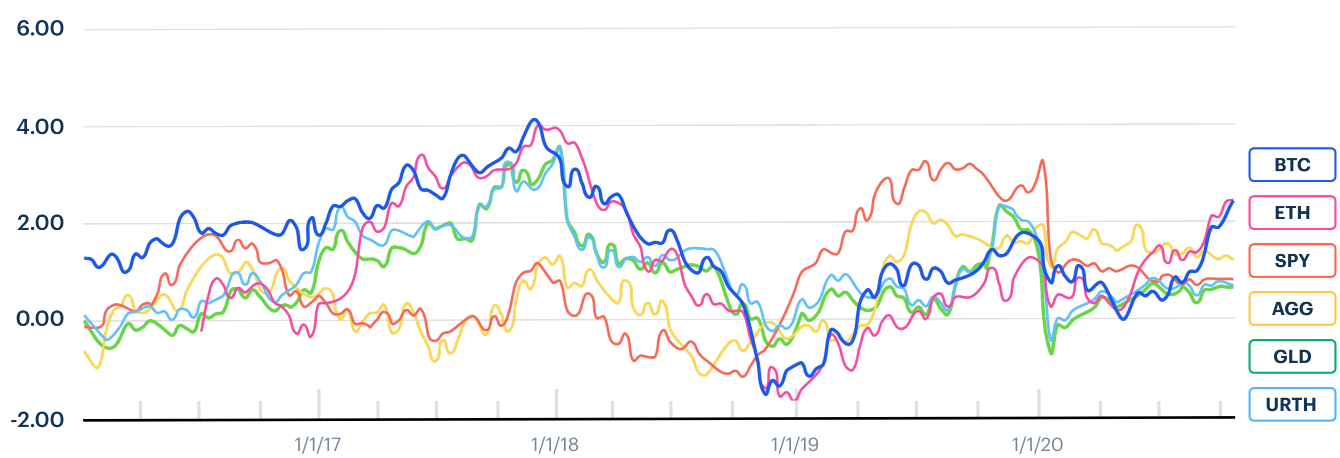
Bitcoin's strong absolute performance compensated investors for its volatility. The first crypto asset ended the year with a 2.54 rolling annualized Sharpe ratio, outperforming other key financial asset classes.

Exhibit B: Historical Sharpe ratios, five-year Sharpe ratio (2016 - 2020)
Source: Coinbase



Risk adjusted, bitcoin performed well over the five-year period as well (Sharpe ratio of 1.52), which includes its 2018 bear market.

Exhibit B continued: Rolling annualized Sharpe ratio (2016 - 2020)
Source: Coinbase



How does an allocation to crypto fit within a broader portfolio?

Bitcoin and ethereum are typically less correlated with some of the most popular allocations in investor portfolios today. This leads us to conclude that an investment in either may improve the overall diversification of a portfolio.

Notably, bitcoin has exhibited a low correlation of daily returns with other financial asset classes. On a trailing five-year time horizon, it registered correlation coefficients of .13 with the S&P 500 (SPY), .07 with the aggregate bond index (AGG), .11 with gold (GLD), and .13 with the MSCI world index (URTH). Bitcoin's correlations were similarly low with large-cap technology stocks. Bitcoin was, however, highly correlated with other crypto assets including ethereum.

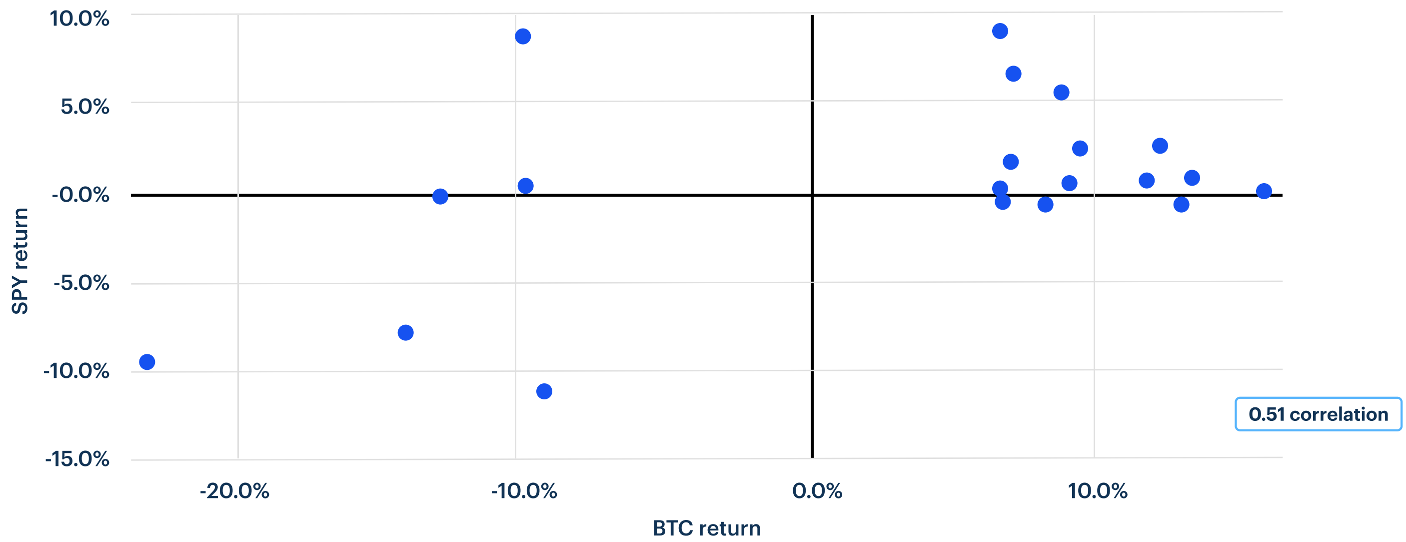
Bitcoin's correlation with other assets was generally higher in 2020 than for the five-year period average, although it remained low on an absolute basis. Bitcoin recorded correlation coefficients of .39 with the S&P 500 (SPY), .19 with the aggregate bond index (AGG), .33 with gold (GLD), and .41 with the MSCI world index (URTH) during 2020. Compared with the five-year average this increase is intuitive, as more institutional investors entered the market in 2020, holding a wide range of assets and employing professional risk-management strategies.

We are continuing to monitor the correlation between bitcoin, SPY, and other assets held in diversified portfolios by institutional investors. Notably, markets in 2020 were heavily influenced by COVID-19 and related macroeconomic factors, making it difficult to discern whether the extreme events of the year drove the correlation increase, or whether the increase is indicative of a longer-term trend.

Exhibit C: Daily return of assets & top 20 volatile BTC return days
Source: Coinbase

	BTC	ETH	SPY	AGG	GLD	URTH
BTC	1.00					
ETH	0.82	1.00				
SPY	0.39	0.41	1.00			
AGG	0.19	0.18	0.14	1.00		
GLD	0.33	0.24	0.16	0.27	1.00	
URTH	0.41	0.42	0.99	0.17	0.18	1.00

Exhibit C continued: Top 20 volatile BTC return days (2020)
Source: Coinbase



How have balanced portfolios that include crypto performed vs. a typical portfolio that does not?

As compared to a portfolio that allocates ~20% of assets to S&P 500 assets (SPY) and 80% towards corporate bonds and other fixed income products (AGG), an allocation to BTC historically outperforms on a risk-adjusted basis.

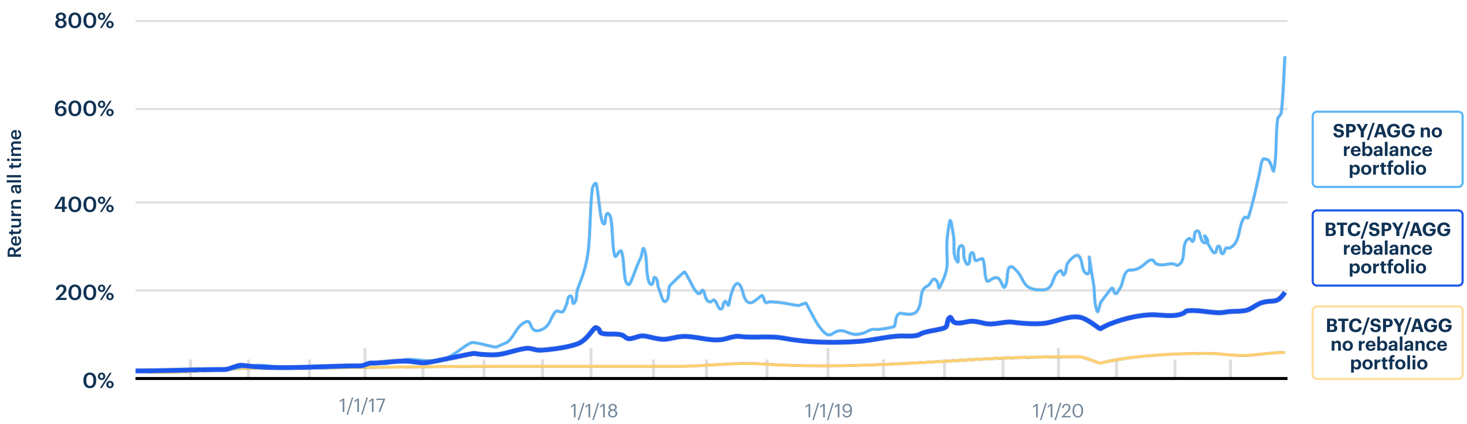
However, given the higher volatility of a portfolio that does not employ rebalancing to certain allocation targets, clients may consider rebalancing to minimize the volatility risk associated with a crypto investment.

Exhibit D: Illustrative portfolio performance
Source: Coinbase

	9.8% BTC / 16.8% SPY / 73.3% AGG Portfolio [4] with quarterly spending	9.8% BTC / 16.8% SPY / 73.3% AGG Portfolio	20.5% SPY / 79.5% AGG Portfolio
Total return	1.7x	6.9x	4x
Monthly volatility (annualized)	0.13	0.51	0.05

4 AGG: Aggregate bond ETF composed of investment-grade bonds (fixed income exposure)

Exhibit D continued: Impact of adding BTC to a balanced portfolio
Source: Coinbase

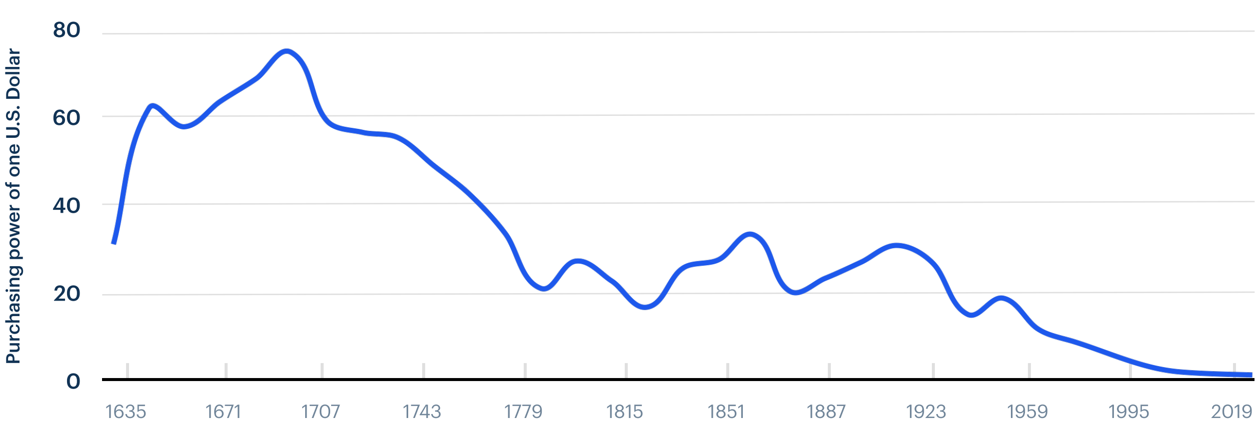


When is the right time to allocate towards crypto?

Investment duration should first be determined before attempting to answer this question. However, most institutional investors and corporate treasury managers appear to be taking a long term view with regards to this emerging asset class, citing a few key considerations:

- Purchasing power of the U.S. Dollar remains in secular decline
- The Federal Reserve has committed to lower rates even in the face of rising inflationary pressures
- In turn, this monetary policy stance keeps downward pressure on real rates and erodes returns from traditional stores of value (U.S. Dollars, treasuries)
- BTC supply side dynamics provide long term scarcity value thus providing a potentially asymmetric risk-adjusted return vs. other asset classes where supply is abundant (i.e., fiat currencies)

Exhibit E: Purchasing power of one U.S. Dollar (1635 - 2019)
Source: Statista



Another consideration is that lower real rates (nominal treasury yields less inflation) are a strong driver of capital flows into alternative stores of value such as gold. Bitcoin is increasingly benefiting from these same dynamics and likely taking market share from gold given the risk-adjusted returns.

- U.S. money supply has grown rapidly in the past decade given unprecedented bailouts and cash injections from the U.S government, catalyzed by economic downturn and COVID-19
- The Federal Reserve (as well as other Central Banks) have committed to keeping rates lower for longer even in the face of emerging inflationary pressures
- This dynamic (inflation rising faster than interest rates) has historically been a strong tailwind for alternative stores of value such as gold
- BTC is similarly benefiting from these tailwinds but is still just a fraction of gold's total market value. Many institutional investors cite this market opportunity as a long term justification for growing demand

Exhibit F: Bitcoin market cap as % of total gold outstanding
Source: Bridgewater

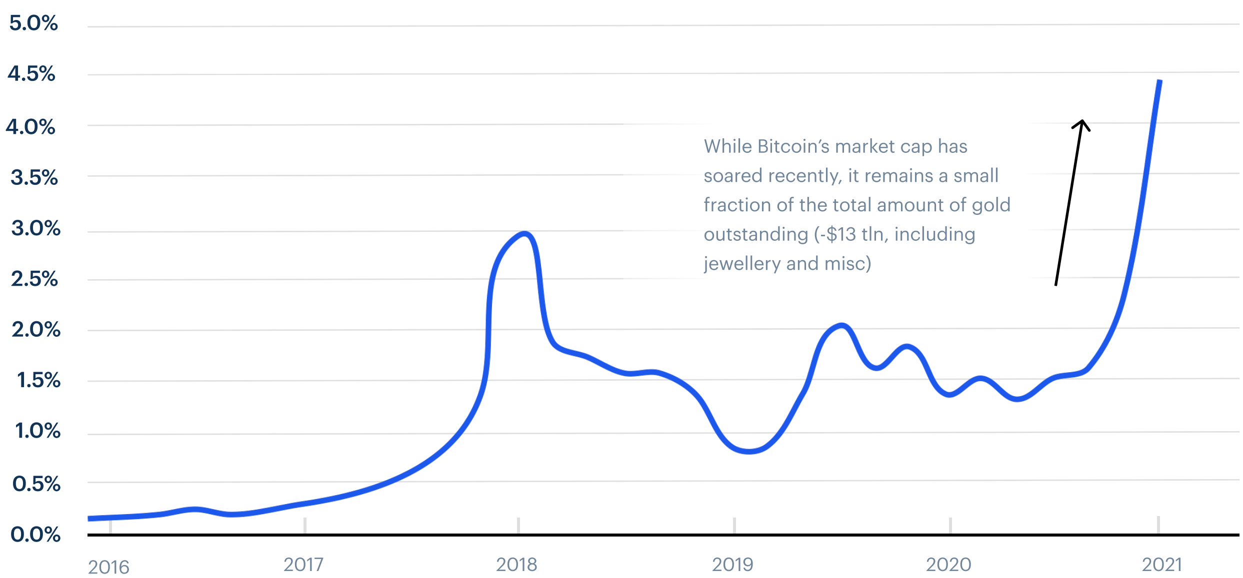


Exhibit G: U.S M2 money supply ($bn)
Source: Federal Reserve Bank of St. Louis

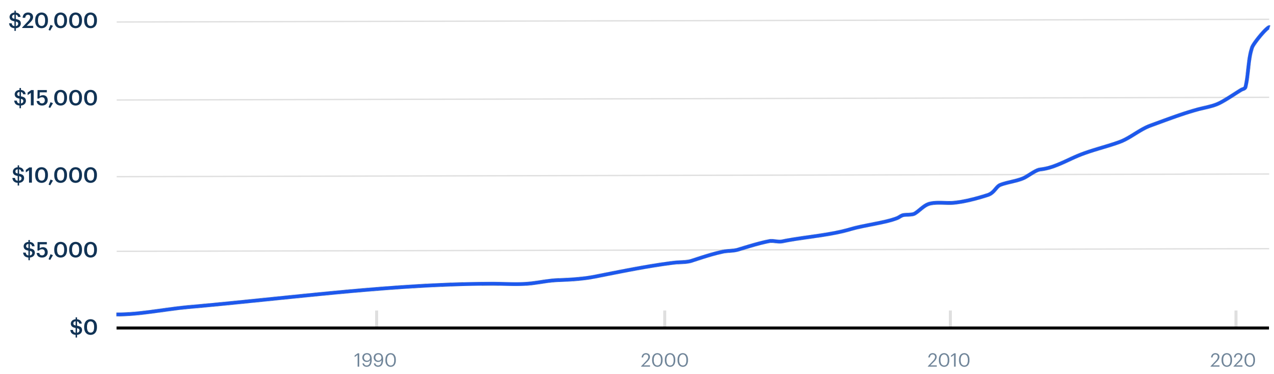
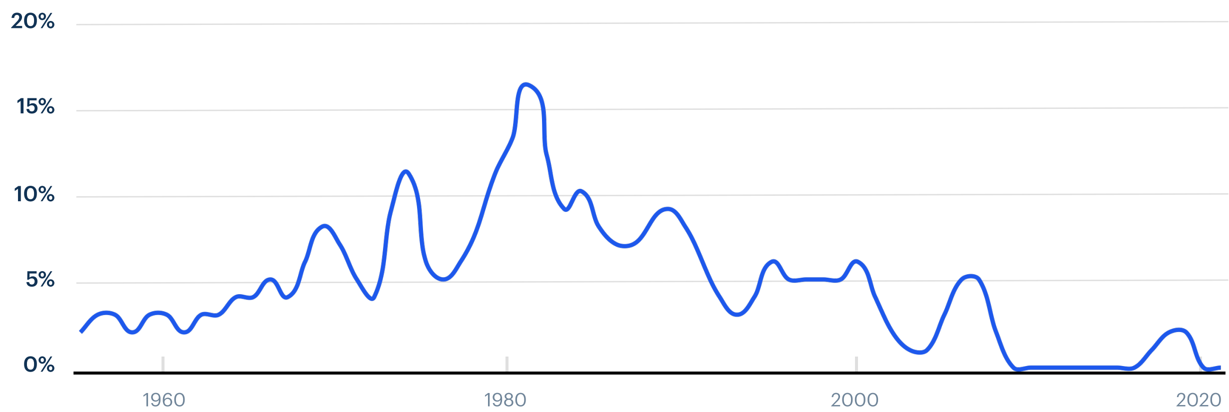


Exhibit H: Federal funds rate (1959 - 2020)
Source: Federal Reserve Bank of St. Louis



Trading and custody

How does Coinbase help maximize efficiency and minimize risk associated with large crypto trades?

We have earned the trust of our clients due to our track record and deep technical expertise. This, in addition to our advanced trading tools and approach to execution, are key factors when dealing in large trade sizes.

Below, we detail the features of our institutional offering that are designed to maximize efficiency and minimize risk for our clients:

1. **Programmatic execution:** Our trading technology cuts large orders into thousands of tiny retail-like trades, placing them optimally across multiple venues, and putting the market in competition to optimize your trade. This model enables our clients to efficiently deploy their capital and minimize market impact.
2. **Multi-venue liquidity:** Our ability to access multiple venues programmatically (not just Coinbase's exchange) means we can handle extremely large order sizes. We've executed some of the largest trades in the industry.
3. **Strong counterparty:** As a large company, we can put our balance sheet to work for our clients. We deploy Coinbase's capital in addition to clients' capital on external trading venues to insulate clients from additional counterparty risk and protect them from loss due to default. None of the venues that ultimately fill your sub-orders will know the size or nature of your trade.
4. **Confidentiality:** Using a single counterparty for execution and custody allows institutions to access crypto markets safely and discreetly, minimizing potential information leakage. Client confidentiality is a critical component of Coinbase's institutional operating model.
5. **Incentive alignment:** Coinbase acts as your agent to secure the best price we can find in the market using our technology.[5] We do not trade principally or trade against our clients. We charge a transparent, flat commission on top of pass-through exchange fees.

5 Digital assets may trade at different prices on different trading venues, and trading venues not used by Tagomi or Coinbase may offer better prices than the trading venue used to execute your order.

How does Coinbase enable clients to make large digital assets purchases as a treasury investment?

Leveraging our suite of advanced trading tools, we have efficiently executed nine and ten figure trades. Coinbase maintains confidentiality of our clients but can publicly share the details of a specific trading experience with Microstrategy.

Execution Timeline

- After an initial series of pre-trade calls with MicroStrategy, the trading and over-the-counter (OTC) teams at Coinbase understood the client's trade execution goals.
- Coinbase provided data and analysis on global liquidity and the optimal pace to minimize impact. Then, Coinbase and MicroStrategy decided on a plan of action.
- Following a successful test trade, Coinbase began to execute a larger trade. The Time Weighted Average Price algorithm was used to execute the trade over a period of five days. During this time, our trading team remained in close contact with the MicroStrategy team to evolve execution instructions based on where the market traded. This enabled MicroStrategy to take advantage of any weakness in the bitcoin price and buy more, while also slowing down the execution at less attractive price levels.
- Each day, MicroStrategy had a series of calls with the Coinbase trading team:
— 9am call to start trading and report overnight fills
— 2pm call to review progress from the morning
— 9pm call to settle the last trade and report afternoon fills
- Throughout the trade, the Coinbase trading team proactively reached out to provide useful market information at the appropriate times and the MicroStrategy team had a point of contact they could speak to 24/7 if they had any questions or wanted to amend instructions.
- MicroStrategy went on to invest an additional $175 million in BTC following the success of the first trade, for a total investment of $425.2 million.

Coinbase's smart order routing technology allows access to the best liquidity at the most opportune times to achieve the best outcome for the client. Leveraging our technology, the trading team achieved an average execution price that was less than the price at which buying started. In periods of high volatility, our advanced trading tools improved the client execution by as much as 5%. For MicroStrategy, **this strategy resulted in savings of approximately $4.25 million.**

$425m of **bitcoin purchased**, in two landmark investment tranches	**50%** of **liquidity** provided by **venues other than Coinbase Exchange**
$4.25m **savings** result from execution strategy	**117** **hours** to complete the $425m purchase

How does trading with Coinbase allow us to preserve our privacy and minimize market impact? What assurances do we have on those topics?

Coinbase puts a premium on security and privacy in order to protect our clients. We understand that our clients are counting on us to securely and confidentially handle their data and their assets, which is why we have designed our systems and processes around these tenets.

Coinbase provides end-to-end discretion in its trading and custody services. By using one trusted provider, clients can limit exposure to information leakage — one of the greatest risks to execution cost. Coinbase can trade on a client's behalf with most major exchanges and principal desks without revealing the size or name of the end client. With algorithmic execution tools and guidance from our seasoned trading team, large orders are executed confidentially and have minimal market impact. To build a suite of institutional products to our own exacting security standards, we hired employees with backgrounds in:

- Applied cryptography
- Secure configuration of immutable cloud infrastructure and software
- System security design
- Operation and retirement of military systems
- Policy and protocol design
- Physical security design and personnel security operations
- Adversarial and non-adversarial settings
- Business continuity and disaster recovery

What are the general costs of execution and custody? How does these vary at scale?

Trading: We provide transparent pricing for trade execution, composed of a flat commission on top of pass-through exchange fees.

Custody: We offer variable bps pricing on AUC, depending on the size of assets.

Who will I work with on trade execution strategy? What will that process look like?

At Coinbase Institutional, we understand that when executing trades from $2 million or $10 billion, our clients need a dedicated team of professionals at their beck and call. We maintain offices around the world to ensure that our clients are able to reach us 24/7/365.

Clients work with our experienced trading team to plan, execute, and settle trades.

Our team of trading professionals come from a variety of financial institutions, including Barclays, Citadel, Credit Suisse, Getco, Goldman Sachs, J.P. Morgan, Morgan Stanley, and Two Sigma. They have deep experience in both traditional financial markets and crypto — a distinct background that has uniquely positioned them to execute some of the world's largest trades in digital assets.

In order to determine the right execution strategy for a client, our trading team arranges a series of pre-trade calls to better understand trade execution goals. Once goals are solidified, we facilitate "test trades" to evaluate the effectiveness of a particular trading strategy. It is only after a trading strategy has been selected and tested that our team will begin to execute the trade. Once complete, our trading team maintains a high level of involvement, including generating detailed post-trade reports for clients.

Where should I store crypto? What's the risk and general insurance policies around storage?

Coinbase Custody's offline cold storage provides maximum security. We are proud to be one of the longest running crypto platforms where customers have not lost funds due to a security breach of the platform, and we secure our customers' funds with multiple layers of protection by employing what we believe to be the largest hot wallet crime program in the insurance market.

Based on fifth generation infrastructure, Coinbase Custody is unique in its heritage of security innovation. We are not only an independent qualified custodian, but are also one of the first crypto custodians to be issued both the SOC 1 Type 2 and SOC 2 Type 2 reports.

Our industry-leading insurance policy protects both online and offline assets across all of our products. We have partnered with Lloyds of London to fit traditional insurance concepts into crypto, holding the industry's leading policy continuously since 2013. The total policy today is $320 million, which covers our state-of-the-art security protocols that secure client assets.

Security infrastructure is of paramount importance when assessing a custodial solution for crypto. The market is saturated with various wallet and custody services, but we strongly suggest that companies only consider the most trusted providers in the industry, who are also qualified custodians. Otherwise, companies put themselves, and their investors, at great risk.

Tax and accounting

How do I book a crypto asset purchase? How does this impact my reporting ledger and my balance sheet?

Crypto assets purchased are accounted as intangible assets with indefinite useful lives in accordance with ASC 350 Intangibles - Goodwill and Other, and are initially measured at cost.

Crypto assets accounted for as intangible assets are not amortized, but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the crypto asset at the time its fair value is being measured. Previously recognized impairments cannot be reversed with crypto asset price increases (in accordance with ASC 350-30-35-20). It is important to discuss with your external auditors the frequency to which impairment assessments should be performed given your purchase/sell volume and financial reporting requirements.

Due to the fact that digital assets are considered intangible according to U.S. Generally Accepted Accounting Principles (U.S. GAAP), impairment is addressed but appreciation is not. As this asset class continues to attract investment and regulatory review, we are optimistic that U.S. GAAP will evolve to address these accounting constraints.

As companies cannot write up the value of their digital assets under current accounting standards, financial statements may not reflect the economics of how a company values its digital assets. However, due to the increasing investments of corporate treasury balances into digital assets, there are potential ways to disclose the true value and economics of those investments. For instance, companies have the opportunity to add disclosures that include information such as the current price of the crypto in their investment, as well as the number of coins in their possession to provide an approximate valuation of the corporation’s holdings.[6]

We understand that accounting and auditing digital asset investments can be tedious, and that many clients have questions as they approach an initial investment. The accounting professionals at Coinbase are available to discuss our clients’ specific situations and provide perspective on how to approach this complex task.

The accounting for crypto assets described above only applies to crypto assets which are not securities or stablecoins.

If you are an investment company adhering to ASC 946 Financial Services - Investment Companies, or an SEC registered broker dealer, different accounting treatment may apply.

6 MicroStrategy 10-K

What are the tax consequences involved in buying and selling cryptocurrencies? How do I book gains and losses and what is their corresponding tax treatment?

For U.S. tax purposes, all cryptocurrencies are treated as undifferentiated property. As a result, the same general tax principles applicable to all property transactions apply to transactions using cryptocurrencies.

In basic terms, that means that selling, exchanging, monetizing, or trading crypto is a taxable transaction that gives rise to capital gain or loss. Gain or loss is measured by comparing the amount realized from the transaction (fair value of any property received) to the cost basis in crypto being sold.

Taxpayers can use two primary methods of accounting for measuring gain or loss, FIFO or specific identification. The measurement and accounting of gain or loss can be time-consuming and cumbersome and it depends greatly on data accuracy. Using portfolio structures is one way that companies can simplify the work of distinguishing and tracking tranches of assets, fair market value, and acquisition specifics such as cost and holding period.

If reviewing IRS documentation associated with crypto, please note that IRS guidance uses the term "virtual currency," but the terms "crypto," "virtual currency," "digital currency," and "digital assets" are all interchangeable and synonymous for tax purposes.

What happens when you exchange different cryptocurrencies?

Exchanging one crypto for a different crypto (e.g., BTC for ETH, or different ERC-20 tokens) is a taxable event. All cryptocurrencies are treated as property for U.S. tax purposes. It is irrelevant what category of crypto is involved in the exchange (e.g., exchanging a utility token for another utility token is still taxable). In the eyes of the IRS, this exchange is tantamount to exchanging one property for another property, which will result in a capital gain or loss.

The entity exchanging crypto will realize a gain (or loss) equal to the value of the crypto received, minus the cost basis in the crypto being traded away. For example, assume $200 million of ETH has been exchanged for BTC. This triggers a taxable gain or loss, with $200 million as the amount realized and gain or loss determined by subtracting from $200 million the cost basis in the BTC being exchanged.

The IRS has provided very basic guidance on the treatment of hard forks of cryptocurrencies. Generally, if a new or different crypto asset is received as a result of a hard fork, that new asset will be treated as giving rise to taxable income because it can be independently monetized.

How will purchasing digital assets affect my financial audit preparations? Specifically, do I need to engage any additional outside counsel or consultants due to this purchase? Are there additional filings or audits buying crypto will subject me to?

Each external auditing firm has different approaches and requirements to testing digital asset existence. It is necessary that companies discuss their purchase/sell volume and financial reporting requirements up front with their external auditors to avoid any year-end audit issues.

We have generally found firms do not need to engage separate consultants or make additional filings. Nonetheless, we recommend that each company assess their own unique needs in this regard before determining whether or not to engage separate consultants.

As the digital asset landscape evolves and expands, we foresee standard setting and regulatory bodies continuing to adapt and solidify their approach to provide more clarity on how to account for digital assets from both a financial and tax reporting perspective.

Regulatory and compliance

What is the regulatory status of digital assets? Are there any risks associated with buying and storing digital assets from a regulatory perspective? Do I need any licenses? Will this bring any additional regulatory requirements, disclosures, or scrutiny?

Although regulators sometimes have different views about the classification of different cryptocurrencies, most agree that bitcoin is a crypto commodity. It is not treated as a security under federal or state securities laws.

The purchase or sale of BTC for personal use or for a corporation's own use is not generally regulated activity, although businesses like Coinbase that sell, transmit, and/or custody BTC and other cryptocurrencies on behalf of clients are regulated under applicable state and federal financial services laws. You should confirm that any business you work with to acquire, liquidate, or custody BTC and other cryptocurrencies is appropriately licensed and operates to the higher operational standards of a regulated financial institution. As with any asset purchase, you may need to consider accounting, auditing, and (for public companies) disclosure obligations that may arise.

What financial services licenses does Coinbase have? Are there additional audits or security reports that could help my team get comfortable with your process?

In the U.S., Coinbase's trading platform and OTC services are operated by Coinbase, Inc., a registered Money Services Business, licensed money transmitter in most U.S. states, and virtual currency licensee in New York (the "Bitlicense").

These licenses entail obligations to comply with various financial services laws and regulations, including obligations under anti-money laundering/counter-terrorist financing (AML/CFT) and Anti-Bribery & Corruption laws, international and trade sanctions laws, customer funds protection rules and obligations, and various customer protection and disclosure regimes. Coinbase is subject to routine, onsite supervision by our various state and federal regulators and is subject to continuous financial and suspicious activity reporting requirements. Our annual independent financial audits, risk assessments, operating policies and procedures, and security testing audits are subject to disclosure and review by our various regulators.

In the U.S., Coinbase's institutional custody business is operated by Coinbase Custody Trust Company, LLC which is a licensed limited purpose trust bank in the state of New York. Coinbase Custody operates as a fiduciary with respect to its clients' custodial assets, and operates as a standalone, independently-capitalized business. Coinbase Custody has met and continues to meet the rigorous standards of the New York Department of Financial Services (NY DFS) applied to limited purpose trusts and is subject to regular review by banking examiners.

In 2020, Coinbase Custody engaged Deloitte to conduct two System and Organization Controls (SOC) examinations. We completed the SOC 1 Type 2 (“SOC 1”) and SOC 2 Type 2 (“SOC 2”) examinations for the period of January 1, 2020 to September 30, 2020. We are now pursuing both SOC audits annually going forward.

Outside the U.S., Coinbase is subject to similar regulatory obligations and has or is pursuing similar licensure through its affiliates in many jurisdictions. These include licenses or registration arising under the UK and European Union E-Money Law and Anti-money laundering directive, Canadian Money Services Business laws, the Japan virtual currency licensing regime, and the Singapore payment services law.

Investor relations

Are there standard talking points companies should share with investors when they are making an allocation to digital assets? What materials could be helpful in explaining our decision?

Considering investor sentiment when allocating funds into digital assets is a necessary step in the decision making process. Based on our experience working with companies, we have created a number of talking points.

We suggest using these as a starting point to draft your own communications to shareholders, highlighting the merits of digital assets and how this fits into the company's overall capital allocation strategy.

Suggested standard talking points:

1. We take a thoughtful and prudent approach to managing our capital
2. As part of our asset allocation strategy, we have elected to place [ ]% of our assets into digital assets
    a. Detail on existing cash position (company specific)
    b. Existing investment opportunities are safe and consistent with the company's investment philosophy but offer low yields in today's environment
    c. Merits of crypto assets
        i) See Macro perspective for additional detail on current crypto tailwinds
3. Recent increase in institutional adoption of investment in digital currencies
    a. Digital asset allocations from large publicly traded firms like Square and MicroStrategy
    b. Increasing adoption by traditional hedge fund managers like Stanley Druckenmiller and Paul Tudor Jones
    c. Proliferation of digital asset funds: Grayscale, Bitwise, and Skybridge
    d. Individual case studies (MicroStrategy & One River) of recent large crypto investments
4. Reiterate this is a part of a broader capital allocation strategy

Why Coinbase?

Coinbase distinguishes itself from competitors through its longstanding history of operational excellence, and by having one of the most esteemed institutional client bases in the industry. We are leaders in the industry in security practices, insurance coverage, regulatory licensing, and engagement with government.

Mission alignment:

Crypto is our DNA, and within that our goal is to expand and build the crypto economy

Market-leading products:

Coinbase Institutional has a sophisticated trading platform to meet the complex trade execution needs of our clients. This platform is backed by our heritage of security. We have over eight years of experience using cutting edge methods to protect client data and assets. As one of the largest custodians in the crypto industry, we store billions and have never lost client funds.

Multi-faceted and experienced leadership team:

Our leadership team has a combination of traditional finance, technology, and crypto experience. Our VP of Institutional Product, Greg Tusar, has over 30 years in the industry and 13+ years at Goldman Sachs. He profoundly understands how to drive change in large financial services organizations. Brett Tejpaul, our VP of Institutional Sales, Trading, Custody, and Prime Services, previously served 25+ years at Barclays and J.P. Morgan Chase, and most recently oversaw global sales and trading for Barclays as a member of their global markets executive committee.

Trusted by leading funds:

Coinbase has passed rigorous due diligence reviews from leading funds and their leading asset allocator L.P.s.

A deep bench of security and engineering talent:

Our 1,200 employees have diverse backgrounds in areas ranging from applied cryptography to secure configuration of immutable cloud infrastructure and software to operation and retirement of military systems. As one of the most advanced trading firms and crypto custodians, we attract innovative engineers who want to work on the unique challenges of the digital asset world.

Unprecedented investment in physical security:

We maintain a 24/7/365 Global Security Operations Center (GSOC) responsible for continuous physical security and video surveillance feed monitoring Coinbase offices, key generation sites, and geographically distributed vault locations. GSOC also offers worldwide security and monitoring for cold-storage operations personnel.

Best-in-class regulatory approach:

Coinbase Custody is a NY Limited Purpose Trust Company. We have a regulatory team dedicated to maintaining relationships with regulators and responding to regulatory inquiries. As part of that process, we maintain strong working relationships with applicable state and federal regulators, and emphasize transparency.

Insurance pioneer:

We paved a path with Lloyds of London to fit traditional insurance concepts into crypto, holding the industry's leading policy continuously since 2013. The total policy today is $320 million, which we believe to be the largest in the industry, and covers both hot wallet and cold storage. Coinbase has been working with AON and global insurance markets since 2012. In many cases, we have nearly 10 year relationships with syndicates in our tower. Since our start with Lloyd's markets, we've expanded our syndicate insurance footprint to include highly rated NY insurers. We are also innovators in insurance structure, with the first operational insurance captive in the industry. This enables us to build capacity and maintain low rates by building reinsurance relationships.

Disclosures

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