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Coinbase Introduces USDC Fee Amid Revenue Drop

August 7, 2025
— Categories: Crypto

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Coinbase has announced a new 0.1% fee on large USDC-to-USD conversions exceeding $5 million within a rolling 30-day period. The move, effective from August 13, comes as the crypto exchange attempts to stabilize its revenue base following a significant downturn in Q2 trading volumes.

The company's latest financial results showed a 39% plunge in retail trading activity, triggering a 15% drop in its share price and falling short of Wall Street expectations. In response, Coinbase is also pursuing a $2 billion convertible bond issuance in an effort to shore up its balance sheet.

The introduction of the fee marks a strategic shift for Coinbase, which had previously allowed users to off-ramp USDC to fiat without charge. The fee targets net USDC-to-USD conversions above the $5 million threshold and will be calculated over 30-day rolling periods.

CEO Brian Armstrong addressed the change via social media, stating that Coinbase had been operating at a competitive disadvantage due to Tether's redemption fees. "This makes USDC redemptions artificially cheap," Armstrong explained, "and the new fee simply levels the playing field."

Coinbase insiders called the measure an "experiment" aimed at understanding the impact of fees on stablecoin redemptions, adding that many rival platforms already charge higher rates for fiat withdrawals.

Social media reaction, however, has been mixed. Some users likened the fee to traditional bank charges, accusing the company of drifting away from its original ethos. Critics have also pointed out that USDC's utility as a cheaper on-ramp and off-ramp made it a preferred tool for large-scale conversions until now.

The decision also reflects increasing pressure from Tether (USDT), which continues to hold a dominant market position. Traders have routinely exploited arbitrage by converting USDT to USDC before withdrawing to USD, taking advantage of the fee-free structure.

According to prominent industry figure Cobie, this pattern weakened Circle's USDC market share. The new Coinbase fee aims to stem this one-way outflow and rebalance liquidity. The exchange likened the move to the fees charged on ETF creations and redemptions, pointing to operational costs associated with large withdrawals.

Coinbase has also suggested that institutional users looking to exit at scale consider using Circle's over-the-counter services, which are more tailored to large transactions.

Coinbase's Q2 report showed total revenues of $1.5 billion, below analysts' forecasts. While Bitcoin purchases continued, most recently adding $222 million worth to its reserve, the firm's aggressive crypto accumulation has not offset the broader slowdown in retail activity.

XRP was one of the few bright spots, contributing 13% to consumer trading revenue and outperforming Ethereum for the second consecutive quarter.

Investor confidence has taken a hit. Cathie Wood's Ark Invest dumped $6.5 million in Coinbase shares in July, continuing a wider retreat from crypto-linked assets.

In a bid to pivot beyond volatile trading income, Coinbase is expanding its "everything exchange" strategy. This includes upcoming offerings such as tokenized stocks, prediction markets, and US-based derivatives.

Despite recent setbacks, Coinbase did receive notable recognition. TIME Magazine named it one of 2025's 100 Most Influential Companies, citing its role in shaping digital asset regulation in the US.

While the new USDC fee may dent Coinbase's popularity with large users, it signals a more deliberate effort to align the platform's operations with long-term financial sustainability. As competition among stablecoins and exchanges intensifies, Coinbase's decisions in the months ahead will likely determine whether its strategy succeeds or falls flat in a shifting digital finance landscape.