

## **Cryptocurrency Exchanges: CEX vs. DEX**

When it comes to equity trading and ETFs, many traders use centralized exchanges and online brokerage firms. When it comes to crypto-trading, individual investors have different mechanisms to trade digital assets. In order to understand how and where to trade digital assets, we will compare the two most popular types of crypto exchanges available in the cryptocurrency space today, CEX and DEX.

### **Centralized Exchanges (CEX)**

Investors looking to buy and trade cryptocurrencies usually use centralized exchanges like Coinbase, Binance, Gemini to name a few. Just as traditional online brokerage firms and exchanges, many centralized crypto-exchanges offer similar opportunities to deposit funds into an account, trade on margin, open short positions, and trade both crypto/crypto and fiat/crypto pairs. Buyers and sellers trust the middleman the exchange to help them hold their money, conduct transactions, offer security and monitoring. Today they account for most of the trading volume.

CEXs usually have order-book systems that automate the trading for its clients. Even though CEXs might have been the most preferable way of trading crypto in the past, they have shown some vulnerabilities and have experienced security issues with various hacks. CEXs are not truly anonymous, as they store personal data of individual investors on exchanges, as well as private keys in hot wallets. This practice can definitely pose a threat to investors credentials.

### **Decentralized Exchanges (DEX)**

Unlike CEXs, DEXs enable anonymous transactions with minimum information on each individual investor. More experienced crypto traders who respect full control of their funds and aim to have a control, to some extent, of their personal data, prefer decentralized exchanges. DEXs provide greater security since they don't have access to investor's private keys and don't require its clients to hold funds in hot wallets whose vulnerabilities allowed hackers to access investors' capital in the past.

On top of that, opening an account can be also quite easy. Most DESs do not require any registrations or KYC (Know Your Customer), which makes the whole process much easier. People who are interested in buying a large amount of cryptocurrency or trading ERC20 tokens are often better served by decentralized exchanges. In addition to anonymity and a full control of capital, blockchain revolutionized margin trading. Blockchain made it possible to substitute margin trades with the revolutionary Hedge Trade system that allows traders to acquire digital assets by the means of escrow of their digital holdings.

Every investor should understand that they can trade cryptocurrencies on different exchanges. Recognizing the value proposition of different types of exchanges can have a humongous impact on a trader's financial performance. While CEXs can offer good liquidity, DEXs can provide greater anonymity for individual investors and revolutionary hedge trade systems, which were not possible on centralized exchanges.