A Brief Glance at Centralized Exchanges (CEXs)

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While centralized exchanges (CEXs) typically charge higher fees than decentralized transactions, they are generally more secure and easier to use.

Centralized exchanges (CEXs) are organizations that coordinate cryptocurrency transactions on a large scale, using a business model similar to that of traditional asset exchanges such as stock exchanges.

Exchanges are essentially marketplaces. They are useful when a large number of people may be simultaneously trying to buy and sell the same type of asset. In the traditional economy, famous exchanges include the New York Stock Exchange and the London Metal Exchange. In the crypto sector, some well-known CEXs include Binance, Coinbase, Gemini and Kraken.

Centralized crypto exchanges directly participate in markets by “clearing” trades. They typically keep digital order books, which are lists of open buy and sell orders, consisting of volumes and prices. They match up buyers and sellers and announce current market prices based on the last price an asset sells for.

CEXs generally offer supplementary services, such as crypto asset custody. They often require that users deposit their crypto assets at the exchange before trading can happen.

Exchanges are the most valuable businesses in the crypto world, according to a 2021 report by global accountancy KPMG.

As of June 2022, CEXs remain more common than decentralized exchanges (DEXs). KPMG found that they account for about 95% of exchange crypto transactions. The largest cryptocurrency exchange in the world is Binance, which is centralized despite launching its own DEX. The centralized Binance exchange processes over $20 billion in transactions per day, while the largest DEX, Uniswap, is less than $2 billion.