

Hybrid cryptocurrency exchanges? What are they and what do they mean for the market.

Cryptocurrency exchanges play a vital role in the development and maintenance of the entire emerging cryptocurrency and blockchain markets.

NEW YORK, UNITED STATES, October 21, 2019 /EINPresswire.com/ -- The market is for the most part dominated by two types of [cryptocurrency](#) exchange platforms. Those being centralized and decentralized cryptocurrency exchanges. With the former making a solid entrance into the market during the first half of 2018 (around the same time Bitcoin experienced a sharp decline).

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The new age of
cryptocurrency exchanges
has been arrived”

Chris van Steenberg

However, decentralized trading platforms, such as IDEX, have had a hard time in slicing off the dominance that centralized exchanges such as Coinbase and Kraken hold over the market.

Centralized Exchanges (CEX) vs Decentralized (DEX) exchanges.

It's worth noting that for the most part, cryptocurrency exchanges are typically centralized. Therefore, they can be considered as traditional go to's. However, that does not make them ideal. But it does not eliminate the fact that they manage a lions share of market volume.

[Centralized exchange](#) store all transactional information in their own database which are accessible only by exchange staff. In this type of set up, the exchange acts as the man in the middle, an intermediary. Therefore, trades are not executed in a purely peer to peer fashion. In essence, CEX's are custodians. The fact that their databases and majority of operations involving money are centralized - designate them as prime targets for numerous malicious acts such as hacks or fund misappropriation / mismanagement.

The obvious lapse in transparency regarding how funds are handled and appropriate reporting has lead to exchanges being under fire for fiddling with their reported data.

So, to sum up:

Pros of CEX's:

Platform does its best to be aligned with legal, KYC, and AML requirements to support continuous operations.

Customer support and additional services.

Available liquidity due to popularity and large amounts of traders

Relatively simple to use and understand.

Cons of CEX's:

Human factor is a presence, which can open up room for mayhem.

Lack of transparency regarding funds storage.

Security problems: frequent targeted by bad actors, increased risk of management money laundering activities.

Decentralized Exchanges (DEX)

As opposed to centralized exchanges, decentralized platforms do not store transactional information on centralized databases. DEX's allow their users to carry out transactions in a peer to peer fashion. Trades take place from individual user wallet to individual user wallet.

Until the start of 2018, decentralized exchanges were relatively obscure and saw very little use in the market. It was in January 2018 that things started picking up with the launch of platforms such as IDEX and DDEX. As we see in the image above, despite their popularity growing - decentralized exchanges are still a long shot away from centralized popularity.

As a rule of thumb, centralized exchanges typically offer only assets of one Blockchain. Predominantly that is of Ethereum. Their user interfaces leave a bit to be desired, which adversely affects the liquidity which they can offer. Though, it's necessary to keep in mind that decentralized exchange providers will not cease to innovate.

Pros of DEX's:

No centralized wallets or databases: increased security in light of hacks, risk of mismanagement is absent.

Traders are always in control of their own funds.

Cons of DEX's:

Slow.

Not popular.

Poor user interfaces.

May not withstand growing regulatory pressure.

Limited asset offerings.

New age has been arrived: [Hybrid Exchanges](#) (HEX)

Sufficient time has passed in the market to gauge the performance, pros, and cons of centralized and decentralized cryptocurrency exchanges. NEXT.exchange marks the launch of a new hybrid approach aimed at remedying the shortcomings of CEX's and DEX's. NEXT.exchange aims to change the practice of trading cryptocurrencies utilizing a "best of both worlds" approach.

With its Hybrid approach, NEXT aims to combine the usability, asset lineup, liquidity, and convenience of traditional centralized platforms with the transparency and asset security seen amongst decentralized exchanges and runs on top of their own blockchain. We built our own chain because we don't believe that most "active" blockchains on the market right now are capable of handling the number of transactions required by what we consider to be a mass and growing market. This makes us unique, since we use the blockchain also to store transactions and digital assets. Assets which are never stored in a central 'hot wallets', but in private ones, where the private user have full control over his assets.

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