

HT BLOCKCHAIN BI-WEEKLY NEWSLETTER

Editor's Note

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Dear Reader,

This week's article covers the exciting topic of centralized finance. One of the major reasons for the popularity of Bitcoin is its potential to replace central banks and other centralized financial institutions. However, the exchange of

cryptocurrency between holders is, currently, often done via a trusted third party. In this week's article, we will discuss this and other uses of centralized finance.

We love hearing from our readers! Be sure to contact Dr. Bonyuet (his email address is

*And The
Winner
is. . .*

*Mr. Coleton
Jemeyson*

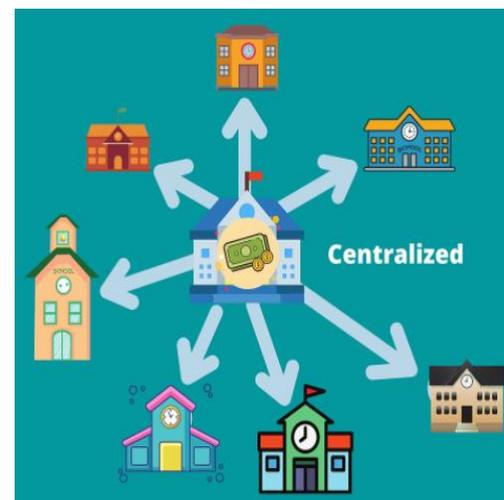
CeFi or Centralized Finance represents a financial infrastructure that relies on a centralized institution such as a central bank or an exchange

dbonyuet1@htu.edu) to let him know how much you have enjoyed his work.

The winner of the last post-article survey was Mr. Coleton Jemeyson. Coleton is an undergraduate Mathematics student at Huston-Tillotson University.

Editor:

*Dr. Abena Primo from the
School of Business &
Technology*



WHAT IS CEFI?

By Dr. Derrick Bonyuet, CFA, CFP, CPA

As cryptocurrencies such as Bitcoin and Ethereum are increasingly being traded, there are changes challenging the notion of centralized finance (CeFi) and promising to address its shortcomings. This article explores pros and cons of centralized finance. Any product references do not imply an endorsement on the part of Huston-Tillotson University or the author. If you have any questions relating to this article, please contact Dr. Bonyuet at dbonyuet1@htu.edu.



OVERVIEW

CeFi or Centralized Finance can be defined as a financial infrastructure that relies on a centralized institution such as a central bank or an exchange. In CeFi, all cryptocurrency trade orders are channeled through a central exchange, which acts as an intermediary to manage the transactions, activities of users and funds. The exchange will determine which coins will be available for trading, applicable rules and fees and even own users' private key that is needed to access their wallets.

FEATURES OF CEFI

1. Centralized exchange (CEX): users who wish to conduct cryptocurrency transactions must transfer funds to the exchange, which then will be kept outside of users' custody in an internal account and even subject to risk of lost if a security breach occurs. Because these exchanges

are considered trustworthy, users willingly provide their personal information to open their accounts. In addition, exchanges provide a great level of customer service to ensure all users a sense of safety and satisfaction.

2. Flexibility of fiat conversion: exchanges provide a great level of flexibility when supporting the conversion of fiat to cryptocurrency and vice versa. The existence of a centralized entity is key on this conversion, which further facilitates the onboarding of customers in an efficient manner.

3. Cross-chain services: because this centralized entity gets custody of funds from multiple parties, it is able to ensure coins issued by independent blockchain platforms are supported in the exchange.

REAL USE CASES OF CEFI

Coinbase: A cryptocurrency exchange

that facilitates trading, borrowing, margin trading, native stable coin, lending, payments and more.

Fairlay: It is a Bitcoin Prediction Market and Exchange that runs on the CeFi model.

BlockFi: A cryptocurrency and fiat borrowing and lending platform.

Celsius: A cryptocurrency borrowing, payments and lending platform.

Ledn: An insured Bitcoin to DAI borrowing and lending platform.

Libra: A global financial infrastructure and cryptocurrency layer.

CONCLUSIONS

The purpose of CeFi is to increase the popularity of cryptocurrency trading by improving the trading volume. To do so, CeFi assures investors and traders with certain level of security on their funds so

that the infrastructure can be trusted. In addition, because CeFi supports conversion of fiat-to-crypto, it allows a greater level of participation by those investors with conventional currency. Last, the level of customer service provided by CeFi exchanges offer a great deal of comfort to investors. Therefore, if you are seeking trust, secured platform and more options to invest, then you should stick to CeFi.

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[Survey Link](#)

Previous Winner: Coleton Jemeyson

This project was generously sponsored by the FinTech Center at Morgan State University. If you have any questions or concerns, please contact Dr. Abena Primo (email: acprimo@htu.edu).

