What is Custodial and non-custodial

Custodial and non-custodial refer to different approaches to managing and securing assets, particularly in the context of cryptocurrencies and digital assets:

Custodial:

- **Definition**: Custodial services involve a third party, often a company or institution, holding and managing your assets on your behalf. This third party has control over the private keys associated with your cryptocurrency.
- **Key Control**: In a custodial arrangement, you do not have direct control over the private keys that control access to your cryptocurrency. The custodian holds and manages the private keys.
- **Examples**: Cryptocurrency exchanges, online wallets provided by financial institutions, and some investment platforms are examples of custodial services.

Non-Custodial:

- **Definition**: Non-custodial services, on the other hand, give users direct control over their private keys and, consequently, their assets. Users are responsible for safeguarding their private keys.
- **Key Control**: In a non-custodial setup, you have full control and ownership of your private keys. Wallets and services that are non-custodial do not hold your keys; instead, they provide you with tools to manage your own keys.
- **Examples**: Hardware wallets, software wallets like MetaMask, and certain decentralized finance (DeFi) platforms operate on a non-custodial model.

Differences:

- **Security**: Non-custodial services provide a higher level of security because users have direct control over their private keys. Custodial services carry the risk of security breaches on the platform.
- **Ownership**: In non-custodial arrangements, users truly own and control their assets. Custodial services may have terms and conditions that affect ownership rights.
- **Responsibility**: Non-custodial services place the responsibility of securing private keys on the user. Custodial services handle security on behalf of the user.