Custodial vs Non-custodial

Custodial

Definition: Custodial services involve relying on a third party to hold and manage your cryptocurrencies on your behalf. This third party, often referred to as a custodian, has control over the private keys associated with the crypto assets.

Private Key Control: The private keys, which are essential for accessing and managing the funds, are typically held by the custodian. This means users don't often direct control over their private keys.

Security and Convenience: Custodial solution are often chosen for their ease of use and convenience. They may provide additional services such as insurance, customer support, and user-friendly interfaces. However, users must trust the custodian to secure their assets.

Non-Custodial

Definition: Non-custodial services empower users with direct control over their private keys. In this model, individuals manage their crypto assets independently without relying on a third party. Users are responsible for the security and safekeeping of their private key.

Private Key Control: Users have full control and ownership of their private keys, usually stored in a digital wallet. This ensures that only the owner has access to and control over their crypto holdings.

Security and Responsibility: Non-custodial solutions provide the users with a higher degree of security and privacy since they are not entrusting their keys to a third party. However, this also means users bear the responsibility of securely storing and managing their private keys.