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CRYPTO · BEGINNER · LESSON 15 OF 15

How to Actually Get Started: Exchanges, KYC and Wallets

What the first practical steps look like: choosing an exchange, passing KYC, securing the account, making a first purchase, setting up a self-custody wallet and moving funds to it

12 min read 8 quiz questions with answer key

CRYPTO · BEGINNER · LESSON 15 OF 15

How to Actually Get Started: Exchanges, KYC and Wallets

IN ONE SENTENCE

Most people start crypto on a centralized exchange and later add a wallet they control themselves. This lesson walks through each step, what it involves and where the common mistakes happen.

Two ways to hold crypto

Before any account is opened, it helps to know the two basic ways to hold crypto:

- **On an exchange (custodial):** you open an account with a company such as Binance or Coinbase. The exchange holds the private keys, and your balance is a number in its database, like money in a bank account. It is simple, and if you forget your password the exchange can help you get back in.
- **In your own wallet (self-custody):** you install a wallet such as MetaMask or a hardware device such as Ledger. You hold the keys through a seed phrase. Nobody can freeze or lose your coins for you, but nobody can recover them for you either.

A popular saying sums up the difference: **"not your keys, not your coins"**. Many people use both: an exchange to buy and sell, and a wallet to hold and use crypto on blockchains (Lessons 9 and 12, and Blockchain Lesson 9).

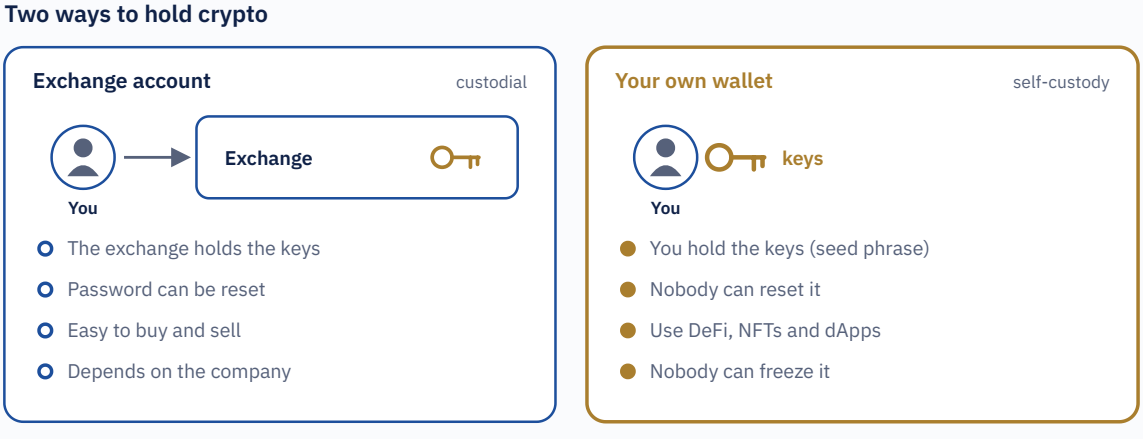


Figure 1. On an exchange the company holds the keys; in a self-custody wallet you do.

EXAMPLE: WHEN EXCHANGES FAIL

In November 2022 the exchange FTX collapsed and customers could not withdraw their funds for a long time. In February 2025 hackers linked by the FBI to North Korea stole about **$1.5 billion** in ether from Bybit. Bybit kept withdrawals open and said it would cover customer losses, but the two cases show the same point: coins on an exchange depend on that company's security and honesty.

Choosing an exchange

A centralized exchange (Lesson 9) is the usual on-ramp, the place where ordinary money becomes crypto. Points people commonly compare:

- **Availability and licensing:** whether the exchange is allowed to serve users in your country, and which regulator supervises it.
- **Deposit methods:** bank transfer, card, or local payment options, and which currencies are supported.
- **Coins and networks:** which coins are listed and which networks are supported for deposits and withdrawals (Lesson 5).
- **Fees:** trading fees, card fees, spreads on "instant buy" and withdrawal fees.
- **Track record:** history of hacks or frozen withdrawals, and whether it publishes proof of reserves.

Exchange	Known for
Binance	Largest global exchange by trading volume, very wide coin list
Coinbase	Listed US company, simple app, strong in the US and Europe
OKX	Global exchange with a built-in self-custody wallet
Bybit	Global exchange popular for derivatives trading
Kraken	One of the oldest exchanges, strong in the US and Europe
Upbit	Largest exchange in South Korea, trading in Korean won

These names are examples of widely used services, **not recommendations**. Services and rules change, and not every exchange is available in every country. In some countries, such as South Korea, local exchanges also require a real-name bank account at a partner bank.

Signing up and KYC

Regulated exchanges must check who their customers are. This is called **KYC**, short for "know your customer", and it is part of anti-money-laundering (AML) laws in most countries. A typical sign-up looks like this:

1. **Account:** email or phone number and a password.
2. **Personal details:** full name, date of birth, address and nationality.
3. **ID document:** a photo of a passport, national ID card or driving licence.
4. **Selfie or video check:** the app checks that the face matches the ID and that a real person is present.
5. **Approval:** often within minutes, sometimes a few days. Some exchanges ask later for proof of address or source of funds for higher limits.

Under a related rule called the **Travel Rule**, exchanges in many countries also share sender and receiver information for larger transfers between them, and may ask who owns the wallet you are withdrawing to.

KYC means the exchange stores sensitive personal data. This is one reason it matters that the site is the real one: fake exchange sites collect ID photos too (Lesson 14).

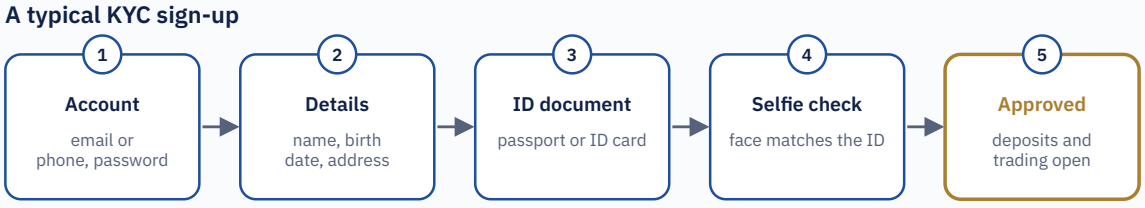


Figure 2. The usual KYC steps when opening an exchange account.

Securing the account

An exchange account is a target, so exchanges offer several layers of protection. These are the ones most often switched on first:

- **Two-factor authentication (2FA):** a second code needed to log in and withdraw. Authenticator apps such as Google Authenticator, and passkeys or security keys, are harder to steal than SMS codes, which can be taken through a SIM swap.
- **Anti-phishing code:** a word you choose that the exchange includes in every real email it sends. An email without it did not come from the exchange.

- **Withdrawal whitelist:** withdrawals are only allowed to addresses you have saved in advance, often with a waiting period for new ones.
- **Device and login alerts:** notifications when someone logs in from a new device or location.
- **A unique, strong password** that is not used anywhere else.

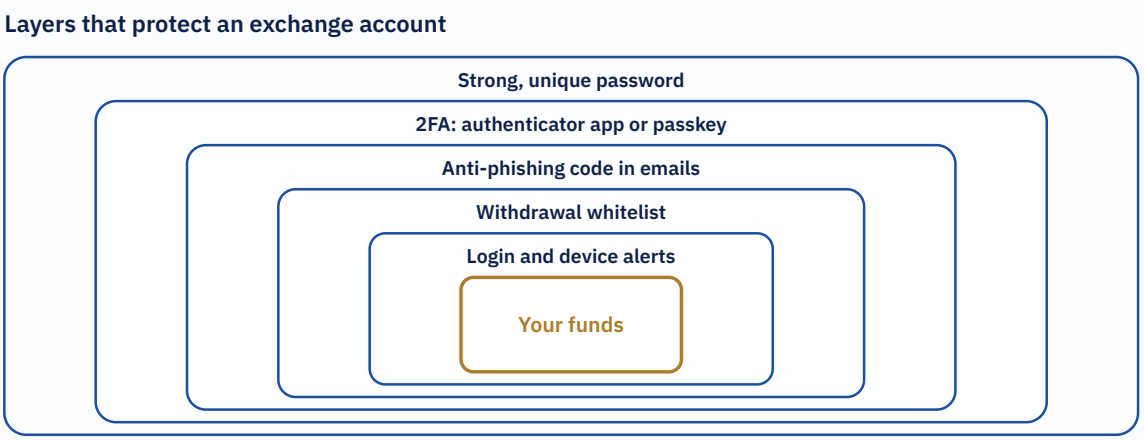


Figure 3. Exchanges offer several layers of account protection.

Making a first purchase

Once the account is verified, money is deposited and exchanged for crypto:

- **Deposit:** a bank transfer is usually the cheapest way. Cards are faster but often cost a few percent. Some exchanges also offer P2P markets, where users trade directly with each other through the exchange.
- **"Buy" or "Convert" button:** the simplest way. You enter an amount and get a quote. The fee is often hidden in a wider price (spread).
- **Spot market:** the trading screen with an order book (Lesson 9). A market order buys at the best available price; a limit order waits for your price. Fees here are usually lower.

After the purchase, the coins sit in your exchange account. From there they can stay, be sold, or be withdrawn to a wallet.

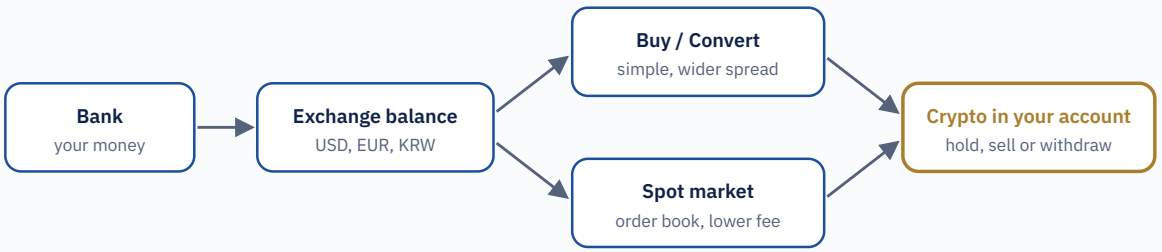


Figure 4. Two ways to buy on an exchange after depositing money.

EXAMPLE: TWO WAYS TO BUY

Sophie deposits $500 by bank transfer. She uses the simple "Buy" button to buy $250 of bitcoin and receives a little less than she expected, because the quote included a spread of about 1%. For the other $250 she uses the spot market with a market order and pays a trading fee of 0.1%, about 25 cents. Both are normal ways to buy; the difference is mainly cost and how much of the trading screen she wants to deal with.

Wallets: hot, cold and the common names

A self-custody wallet is an app or device that stores your keys and signs transactions (Blockchain Lesson 9). The main types:

- **Hot wallets** are connected to the internet: mobile apps and browser extensions. They are free and convenient for everyday use and for connecting to DeFi apps.
- **Cold wallets** keep the keys offline, usually on a small hardware device. Transactions are approved by pressing buttons on the device, so malware on the computer cannot sign on its own.

Wallet	Type	Main networks
MetaMask	Browser extension and mobile app	Ethereum and other EVM networks such as BNB Chain, Base and Arbitrum, now also Solana and Bitcoin
Trust Wallet	Mobile app and extension	Many networks, including BNB Chain, Ethereum and Bitcoin
Phantom	Mobile app and extension	Solana first, also Ethereum, Base and Bitcoin
Ledger	Hardware wallet	Many networks, used with its Ledger Live app or other wallets
Trezor	Hardware wallet	Many networks, used with its Trezor Suite app or other wallets

Again, these are common examples, not recommendations. Wallet apps are a favourite target for fakes, so people usually download them only through the official website or a link from it. Hardware wallets are usually bought directly from the maker, since a second-hand or tampered device may not be safe.

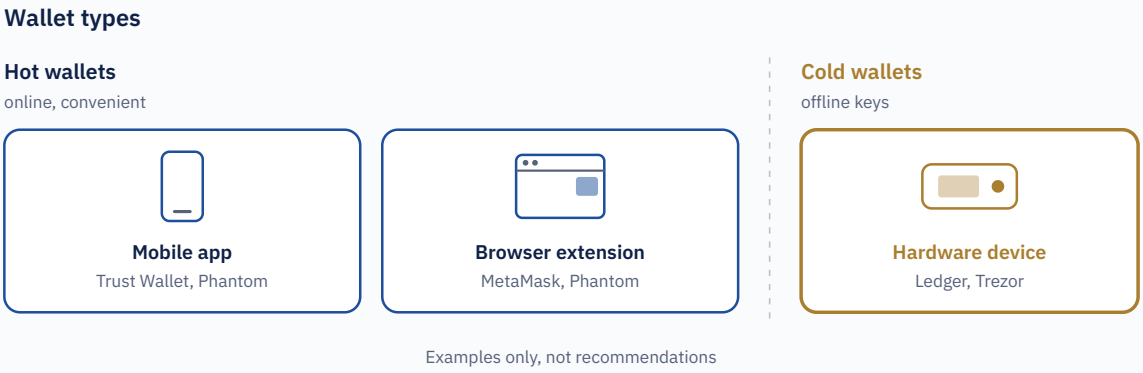


Figure 5. Hot wallets are online and convenient; cold wallets keep the keys offline. Names are examples, not recommendations.

Setting up a wallet and the seed phrase

When a new wallet is created, it shows a **seed phrase** (also called a recovery phrase) of 12 or 24 words. These words can recreate every key in the wallet on any compatible app or device. That means:

- Anyone who sees the seed phrase can take everything in the wallet.
- If the phone is lost and the seed phrase is lost too, the funds are gone for good. The wallet company does not have a copy and cannot reset it.

Common practice is to write the words on paper or stamp them on metal, check them carefully, and keep them offline in a safe place, sometimes in two locations. Screenshots, photos, cloud notes, email and password managers synced online are the usual ways seed phrases get stolen. No real support agent, app or website ever needs it (Lesson 14).

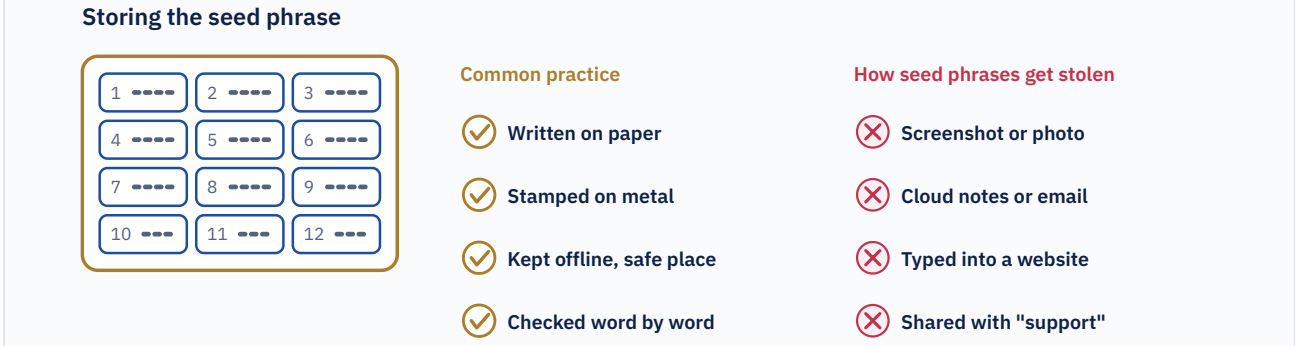


Figure 6. The seed phrase controls the wallet. How it is stored decides who can take the funds.

Moving funds to a wallet and a first swap

Withdrawing from an exchange to your own wallet uses everything from Lesson 10:

1. Copy the **receive address** from the wallet, for the right network.
2. On the exchange, choose **Withdraw**, paste the address and select the **same network**. Add a memo tag only if the receiving side needs one.
3. Check the first and last characters of the address.
4. Many people send a **small test amount** first, then the rest once it arrives.

To use the wallet on that network, it also needs a little of the network's **native coin for gas**, such as ETH on Ethereum, BNB on BNB Chain or SOL on Solana (Lesson 5).

A first swap on a decentralized exchange (Lesson 9) then works like this: open the official DEX site, **connect** the wallet, choose the two tokens, check the price impact and slippage, **approve** the token if asked (Lesson 14 explains why approvals matter), then **confirm** the swap in the wallet and pay the gas fee.

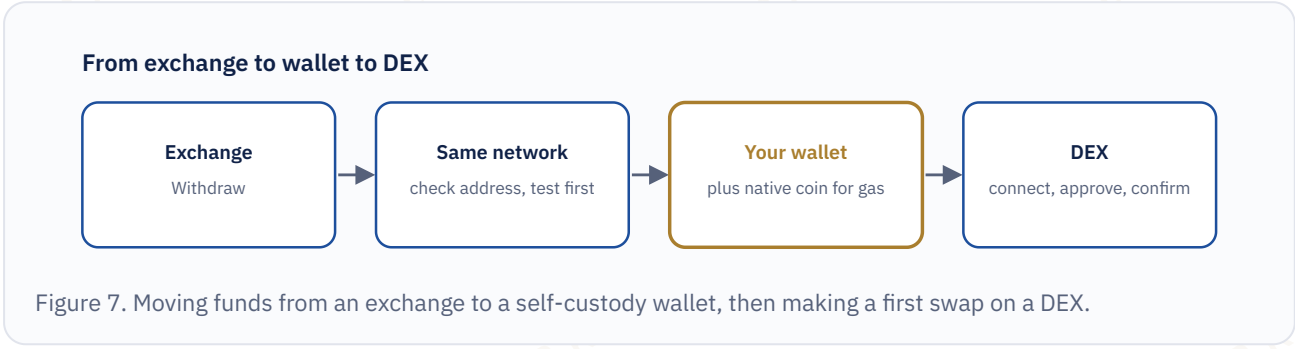


Figure 7. Moving funds from an exchange to a self-custody wallet, then making a first swap on a DEX.

The whole path in one view

Putting the lesson together, a typical first setup has eight stages. Not everyone does all of them: many people only use an exchange, and others move to self-custody after some time.

This lesson closes the Crypto Beginner level. You now know what crypto is, how coins, tokens and networks differ, where they trade, how prices move, what the main risks are and how the first practical steps work. The Crypto Intermediate and Advanced levels, for members, go deeper into trading, on-chain data and DeFi.

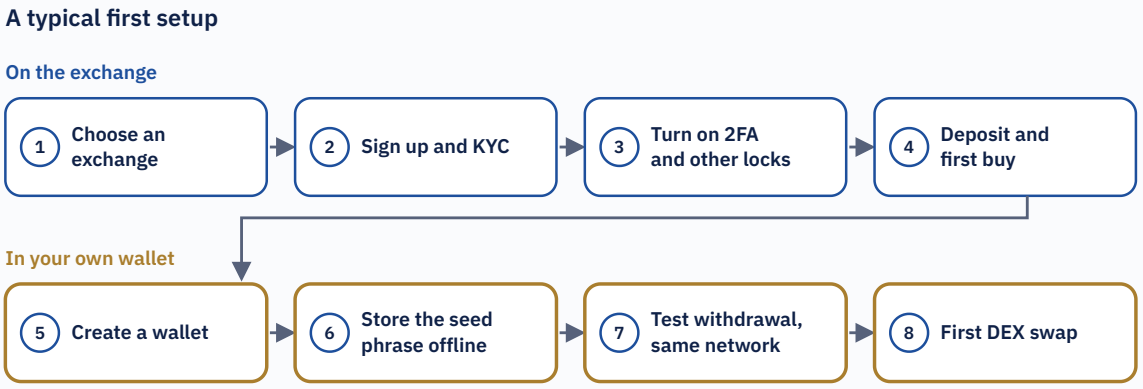


Figure 8. A typical first setup, from exchange account to first DEX swap.

Why this matters for traders

- **Exchange choice affects costs.** Trading fees, spreads, funding rates and withdrawal fees add up over many trades. Fee tiers often depend on volume.
- **Counterparty risk is real.** Funds kept on an exchange for trading depend on that exchange. Many traders keep only what they need for trading there and hold the rest elsewhere.
- **Security settings protect the trading account.** 2FA, an anti-phishing code and a withdrawal whitelist make a stolen password much less useful to an attacker.
- **Moving between exchanges and wallets is routine.** Choosing the right network and checking addresses become everyday habits for active traders.

Key terms

Custodial	A setup where a company, such as an exchange, holds the private keys on your behalf.
Self-custody	Holding your own keys in a wallet you control, with no company able to freeze or recover the funds.

KYC	Know your customer: identity checks that regulated exchanges must carry out before or while serving a customer.
Travel Rule	A rule that requires exchanges to share sender and receiver information for certain transfers.
2FA	Two-factor authentication: a second proof of identity, such as a code from an authenticator app, in addition to the password.
Anti-phishing code	A personal word that an exchange includes in its real emails so users can spot fake ones.
Withdrawal whitelist	A list of saved addresses that are the only ones allowed to receive withdrawals from an account.
Hot wallet	A wallet whose keys are on an internet-connected device, such as a phone app or browser extension.
Cold wallet	A wallet that keeps the keys offline, usually on a hardware device.
Seed phrase	A list of 12 or 24 words that can recreate all the keys of a wallet.
EVM network	A blockchain that runs the Ethereum Virtual Machine (EVM), so it works with the same wallets, addresses and apps as Ethereum. BNB Chain, Base, Arbitrum and Polygon are examples.

Key takeaways

1. Crypto can be held on an exchange (custodial) or in your own wallet (self-custody). Many people use both.
2. Exchanges differ in availability, deposit methods, coins, networks, fees and track record. The names in this lesson are examples, not recommendations.
3. KYC means ID and selfie checks required by anti-money-laundering laws.
4. 2FA with an authenticator app or passkey, an anti-phishing code and a withdrawal whitelist are the main account protections.
5. Hot wallets are convenient; cold wallets keep keys offline. The seed phrase controls everything and cannot be reset.
6. Withdrawing to a wallet needs the right address, the same network and some native coin for gas. A DEX swap means connect, approve and confirm.

Test yourself

Circle one answer for each question. The answer key with explanations is on the next page. You can also take this quiz online at markettalks.info and see your score instantly.

1. What does "not your keys, not your coins" mean?

- A Coins on an exchange are always lost
- B If someone else holds the keys, your coins depend on them
- C Private keys are only needed for Bitcoin
- D You must own a hardware wallet to buy crypto

2. Why do regulated exchanges ask for an ID and a selfie?

- A To set your trading fees
- B Because of KYC and anti-money-laundering laws
- C To choose your network
- D To create your seed phrase

3. What is an anti-phishing code?

- A A password for withdrawals
- B A word the exchange includes in its real emails
- C A code that blocks all logins
- D A type of hardware wallet

4. Which form of 2FA is easiest to steal?

- A An authenticator app
- B A hardware security key
- C SMS codes
- D A passkey

5. What is the main difference between a hot and a cold wallet?

A Hot wallets only hold Bitcoin
B Cold wallets keep the keys offline
C Hot wallets have no seed phrase
D Cold wallets cannot send transactions

6. Anna loses her phone and never wrote down her seed phrase. What happens to her self-custody wallet?

A The wallet company resets it
B Her exchange can restore it
C The funds can no longer be accessed
D The blockchain sends the coins back

7. Lucas withdraws USDT from an exchange to his wallet on BNB Chain. Which network should he choose on the exchange?

A Any network, they are all the same
B Ethereum, because it is the largest
C BNB Chain, the same network as his wallet address
D Bitcoin

8. Lucas's USDT arrives, but the swap fails because he cannot pay the fee. What is missing?

A A seed phrase
B A little BNB for gas
C KYC approval
D An anti-phishing code

Answer key

1 B

If someone else holds the keys, your coins depend on them

On an exchange the company holds the keys, so your balance depends on its security and honesty.

2 B

Because of KYC and anti-money-laundering laws

KYC checks are a legal requirement for regulated exchanges in most countries.

3 B

A word the exchange includes in its real emails

If an email claiming to be from the exchange does not show your code, it is not genuine.

4 C

SMS codes

SMS codes can be taken over through a SIM swap, where an attacker moves your phone number to their SIM card.

5 B

Cold wallets keep the keys offline

Hot wallets keep keys on internet-connected devices; cold wallets keep them offline and approve transactions on the device.

6 C

The funds can no longer be accessed

Only the seed phrase can recreate the keys. Without it, nobody can recover the funds.

7 C

BNB Chain, the same network as his wallet address

The sending and receiving networks must match, or the funds may be lost or hard to recover (Lesson 10).

8 B

A little BNB for gas

Every transaction on a network is paid in that network's native coin, here BNB on BNB Chain.

SOURCES

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