

REGULATE CENTRALIZED EXCHANGES?

Centralized Exchanges are CENTRALIZED, they are exchanges where investors and traders trade their digital currencies on a platform owned by an entity with full custody of the user's funds, In this sense, traders aren't the custodians of their funds directly because their private key is entrusted to the CEX, You are right to compare banks to centralized exchanges since investors' funds are at the mercy of a centralized entity, and worse these exchanges are less regulated and sometimes off the government radar.

As we do have regulatory bodies for financial institutions to put to law and order when banks go burst or stage up a stunt, the same should be done with Centralised exchanges. I believe in regulations that breed fairness and accountability of these exchanges and bring to the minimum the rate of exchanges shut down, due to CEOs' or teams' greed and bringing investors and traders to their demise. In some cases, it might be the death of the CEO who might be the only one in charge of the wallet seed phrases, just like in the big hunting case of Quadriga Exchange.

In the quest for a decentralized monetary system, we prefer investors to use a DEX, but to fully transition into a decentralized monetary system, we need Centralised exchanges to convert fiat to cryptos, so CEX will play a major role to bring a decentralized financial system.

There should be regulations and procedures that CEX must meet before they get listed as exchanges and supported to be allowed for public use, these regulations will ensure investors' funds are protected, and just in case an exchange goes burst investors can still recover some of their funds.