Crypto · How crypto markets work · lesson 2 · 6 min read

The venue is not the market

> **FRAGMENTATION**
>
> Crypto trades on many venues at once - exchanges in every jurisdiction, each with its own order book, its own prices and its own customers - with no consolidated tape, no best-execution net and no official close connecting them. The same coin has many simultaneous prices; 'the' price is always a construction; and knowing which venue's number you are reading is this track's first reading discipline.

The commodities track taught that no single oil price exists. Crypto runs the extreme version: one identical asset, dozens of live order books, and nothing above them stitching a single market together.

The structure

Venues everywhere, connected nowhere: each exchange runs its own book with its own depth and its own price at every moment - there is no consolidated tape, no routing obligation, and no mechanism forcing books to agree beyond the arbitrage of lesson 3's traders.Prices differ by construction: small gaps persist between venues constantly - fees, withdrawal frictions and jurisdiction walls set the width the arbitrage cannot close; in stress the gaps widen exactly when they matter, and venue prices can diverge materially.Reference prices are built, not found: every 'crypto price' a headline quotes is an index someone computed - a weighted blend of chosen venues, each index with its own methodology; the commodities assessment lesson, without the regulated assessor.

What this changes on day one

Three habits. Name the venue: a price without its venue is half a fact - charts, alerts and records all carry the exchange they came from. Expect the gaps: cross-venue differences are structure, not arbitrage gifts - moving coins between venues costs fees, time and lesson 5's custody risk, which is exactly what keeps the gaps open. And read reference indices knowingly: they smooth real dispersion into one number - useful for charts, misleading for execution, and their methodology matters when venues diverge.

The absent centre

Everything the platform's other tracks leaned on at their centres is absent here: no exchange of record, no official settlement price, no closing auction, no regulator-published reference. The market is the sum of its venues plus the arbitrage connecting them - which is why custody, counterparty and venue choice are trading decisions in this track rather than back-office details, and why the next lessons take them in exactly that order.

Check your understanding

1. Why is every quoted 'crypto price' a construction?

a. Prices update too fast to quote

b. No consolidated tape exists: many venues trade the same coin simultaneously, and any single number is either one venue's book or a computed blend of chosen venues

c. Regulators prohibit official prices

Answer: b. The market has no centre - the sum of its venues plus arbitrage is all there is. Naming the venue behind any number is the track's first reading discipline.

2. What keeps cross-venue price gaps open?

a. Coordinated market making

b. Frictions: fees, transfer times, jurisdiction walls and custody risk price the arbitrage - and in stress the gaps widen exactly when they matter

c. Exchange collusion

Answer: b. The arbitrage that narrows gaps pays real costs to run - the fragmentation is structural, not an inefficiency awaiting retail capture.