

Q: What makes token trading different?

A: Trading takes place on a decentralized exchange, (DEX), that is open 24/7/365 and provides instant settlement. There is no counterparty or fail-to-deliver risk, ever.

Q: How much does it cost to trade on the DEX?

A: Trading on the DEX is slightly different from traditional exchanges. There is a small cost, less than \$0.001, for each order placed on the DEX, whether it matches or not. This reduces the non-tradable orders (order SPAM) on the network. There is no per-share cost, settlement, or clearing fees.

Q: How much does it cost to swap on an AMM/Liquidity Pool?

A: The fee is 30bps of the buying asset amount + the small order fee of less than \$0.001

Q: Will an AMM/Liquidity Pool sweep the DEX for price improvement?

A: Yes, all swaps take advantage of any orders in the DEX for liquidity.

Q: Do I ever have to mark an order short?

A: No, part of the appeal and safety of a DEX is that you can't sell what you don't own. All sell orders are long.

Q: How do I sell short on a DEX?

A: You need to borrow some of the asset you want to sell short. This can be done via a third-party arrangement or through a DeFi smart contract. See the FAQ on DeFi for more information.

Q: How do you get a "stock locate" to sell short on a blockchain?

A: There is no such thing on a blockchain. This guarantees that there is no funny business going on such as multiple people getting a "good locate" on stock to borrow. You need to actually have the asset in your account before you can sell it.

Q: Can you ever have a fail-to-deliver?

A: No, settlement takes place at the same time as the trade, neither the buyer nor the seller can ever fail.

Q: Is there a transfer agent involved in the transaction?

A: No, the blockchain itself takes the place of the transfer agent. You can always query the blockchain and know all the owners of a particular asset at a specific point in time.

Q: What if someone hacks my account and steals my assets?

A: If your asset is issued by a US-regulated institution, the asset will have the "clawback" flag set. This gives the issuer of the asset the ability to remove the asset from any account. Contact the issuer for more information.

Q: I'm an asset issuer, can I limit owners to accredited investors only?

A: Yes, there are options to limit owners of an asset only to those that have been approved by the issuer. Your approval process can be anything you wish.

Q: I'm an asset issuer, how do I handle equity trades that have first-right-of-refusal clauses?

A: When an asset is issued, the issuer has the option to not let the asset be used for payments or trading unless the transaction is approved by the issuer. This allows for many different types of transfer clauses to be facilitated.

Q: How can I tell if my order has been executed?

A: Any Stellar blockchain explorer can be used to query the network for activity. BTF's software can give you real-time alerts and daily statements on trading activity.

Q: Can I get a download of trading activity for my accounting software?

A: Yes, BTF has a trading export allowing you to download a CSV file of all trading activities during a certain period.

Q: I hear about a lot of theft and hacks on blockchains, how safe is it?

A: The Stellar blockchain itself has never been compromised. You or your trusted third party must keep your password or private key safe. Never give out your password or private key unless you have a security policy arrangement with your trusted keeper.

Q: How are trades taxed on a DEX?

A: It depends on your personal taxation jurisdiction. In the US, trading on a DEX is taxed just like trading on a traditional exchange. You are required to disclose all gains and losses to the IRS on your tax return.¹

Q: Is the Stellar blockchain regulated by the Securities and Exchange Commission, FINRA or another SRO?

A: No. But there are asset issuers that have placed regulatory compliant digital assets on the Stellar public network to take advantage of all the great things a blockchain provides!

¹ We do not give tax advice nor should this be considered tax advice. Please consult your tax accountant for more information.