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A Brief Glance at DeFi Wallet

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Specific crypto wallet services can sometimes support certain DeFi protocols. Here's what you need to know.

Decentralized finance (DeFi) offers investors the opportunity to participate in novel and diverse markets, like non-fungible token (NFT) art and exotic derivatives. To play the game, however, you'll need a non-custodial DeFi wallet.

Non-custodial DeFi wallets replace the log-in screens of Web 2 platforms that let you sign into a new site with your Facebook or Google account. Web 3 wallets are interoperable across all major DeFi protocols and, within limits, across blockchains, too.

There are plenty of Web 3 wallets from which to choose, and weighing up the pros and cons of each one can be an arduous task. Here's a simple guide to help you get started.

What Exactly Is a DeFi Wallet?

A DeFi wallet is a non-custodial wallet that stores your cryptocurrency assets. They are non-custodial, meaning only those with the seed phrase or private key (the equivalent of a password) can access your funds. Governments cannot, for instance, freeze the account – although they might be able to order a token issuer to freeze assets sent to exchanges or render some assets obsolete.

Non-custodial wallets diverge from wallets issued by centralized exchanges. There, you sacrifice control over your assets, just like with a bank. The major difference between a bank and a crypto exchange, however, is that deposits to the former are often regulated and insured by government deposit schemes. For instance, Mt. Gox, Quadriga CX and Einstein Exchange have all lost customer funds and left victims struggling to get their money back.

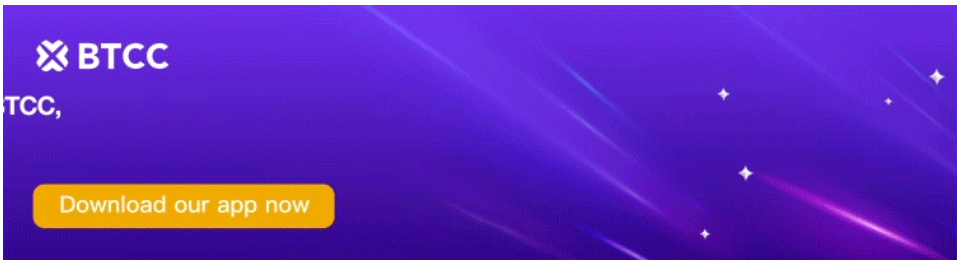
There are, broadly, two types of non-custodial cryptocurrency wallets: hardware wallets and

software wallets. The former are created by companies such as Ledger and Trezor. They look like USB sticks (thumb drives) and you purchase them to hold your funds offline (known as “cold storage”).

Software wallets are online wallets that you access through your web browser or your phone. They’re usually free. Popular examples include:

- **MetaMask**
- **Rainbow Wallet**
- **WalletConnect**

This guide will focus on software wallets because they’re the most common way to interface with decentralized finance protocols such as decentralized exchanges, lending protocols and yield farms.



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Which DeFi Wallet to Choose?

The first choice you’ll have to make when deciding which DeFi wallet to use is the blockchain on which you plan to use it. For instance, MetaMask, one of the most popular Web 3 wallets, doesn’t natively support the Solana blockchain.

You’ll have to use a wallet like Solflare, Sollet or Phantom to interact with Solana decentralized applications (dapp). Some blockchain applications require their own wallet: play-to-earn crypto game Axie Infinity requires you to use Ronin Wallet, for instance.

You might end up using several DeFi wallets for different purposes – they’re free and quick to set up. Just remember to store your seed phrase – a 12- or 24-word phrase used to access your wallet – safe.

Beyond blockchains, wallets come with different features. Some wallets are better at supporting

certain assets. MetaMask, for instance, doesn't visualize the NFTs you hold in your wallet. Others, like Rainbow Wallet, allow you to see the NFTs you hold within your account.

Some DeFi wallets are integrated with decentralized finance applications, allowing you to interact with DeFi protocols or perform trades without having to leave the wallet. MetaMask allows you to swap tokens within its app, and SolFlare allows you to manage staking accounts.

Argent allows you to buy funds with debit cards and stake funds at reduced fees – it uses zkSync's layer 2 network to reduce transaction costs and is integrated with Yearn, Lido and Gro. Coinbase Wallet, the non-custodial wallet produced by the custodial exchange, is integrated with lending protocol Compound and decentralized derivatives exchange dYdX. It's also among the most user-friendly of crypto wallets.

Other wallets, like MyCrypto and MyEtherWallet, natively support hardware wallets, making them a good choice if you want to interact with DeFi protocols using crypto held in cold storage.

Some wallets prioritize security. Gnosis allows for multi-signature transactions, or transactions that several people have to confirm at the same time. Argent lets you nominate "guardians" who can help you recover access to your wallet if you forget your private keys.

How to Connect to a DeFi Wallet

When you install these wallets and funded with crypto, all you need to do to connect to a DeFi protocol is click "connect wallet." You'll usually find the "connect" button in the top right corner of most DeFi protocol landing pages.

Then, you're ready to go. You'll have to confirm individual transactions within your wallet and pay for transaction fees using "gas" – or the amount of the native currency for the blockchain you are using.