

Coinbase Review: Great for Bitcoin Beginners, Not So Great for Pros

Founded in 2012, Coinbase is currently the world's largest bitcoin exchange, currently accepting customers from 32 countries. Coinbase also allows users to trade Bitcoin and Ethereum on their Global Digital Market Exchange (GDAX).

Benefits of Coinbase

One of the primary reasons for Coinbase's almost mainstream level popularity is the ease at which even those who are completely clueless about Bitcoin can make purchases. Here are a few other benefits you can expect when you do business with Coinbase:

- The ability to purchase up to \$1,000 worth of Bitcoin per week for verified credit card holders
- A nice variety of payment and withdrawal methods
- The ability to instantly transfer coins to other Coinbase users
- A user-friendly platform
- A debit card that links to your BTC balance
- Multi-factor authentication

It's impossible to overstate how easy Coinbase's platform is. It's on par with what you would expect when conducting online transactions with any of the major banks. It's the most redeeming quality about Coinbase, one that none of its competitors come close to. That's why Coinbase is typically the first place Bitcoin newcomers go to make their first purchase. It's literally like any other transaction you do online – besides the fact they might ask you to upload a copy of your ID.

Coinbase's decision to brand themselves as the first "square" cryptocurrency exchange has certainly paid off over the years. They've formed partnerships with many of the bigger banks, allowing them to accept and make payments via all the major credit cards, SEPA transfers, SWIFT, ACH, and PayPal.

Why cryptocurrency pros hate Coinbase

While most in the crypto community will readily admit it is one of the best exchanges in the world for newcomers, there are several policies that the company has that have left many traders with a bad taste in their mouth. Let's take a look at a few reasons why you might want to consider other exchanges as your crypto portfolio grows.

1. Close ties with the system

Bitcoin was supposed to free us all! To keep us safe from greedy bankers who are always looking for new ways to squeeze a few more bucks out of us. Coinbase received over \$106 million dollars in venture capital funding from 23 investors, including BBVA Compass Bank. Coinbase's founder himself Fred Ehrsam worked for Goldman Sachs as a trader for years. His ethics are exactly what you would expect from a member of banking's elite as he constantly looks for ways to implement traditional banking norms onto his platform.

2. The infamous freeze notice

If you've ever stumbled upon a rant against Coinbase online, it probably had something to do with someone getting their account frozen. Unlike most cryptocurrency exchanges, Coinbase prides itself on being legally compliant at all times. That means their security protocols are a lot similar to what you would expect from a traditional bank.

Be prepared to hand over personal information like your identification card or passport if you plan to do business with Coinbase. Policies like that are completely contradictory to what Bitcoins stand for in the first place. Part of the reason why cryptocurrencies are so popular nowadays is because it allows you to anonymously transfer funds all over the world. Many of the major exchanges like Poloniex and LBC do not require you to hand over any identifying documents before you are able to make purchase.

It doesn't stop there.

Coinbase goes even further with its questionable practices. The company tracks everything you do with your coins. Expect to have your account frozen if you send any payments to adult entertainment or gambling-related sites. Heck, Coinbase will even freeze your account for trading Bitcoins on other exchanges.

While Coinbase has a good track record of eventually releasing funds, who wants to deal with unnecessary holds and all the issues that come with it?

3. Poor treatment of affiliates

It isn't uncommon for companies to offer affiliate programs as a way to further market their services. What is uncommon is the way Coinbase goes back on the terms and conditions of its affiliate program. Many signed up believing they would earn \$75 for each referral who purchased over \$100 worth of bitcoins, but Coinbase had plans of its own, reducing affiliate payments to \$10 per lead without any warning. Then, there's the fact Coinbase isn't transparent with affiliate-related data, leading many to believe affiliates aren't getting paid for all their leads.

4. Disingenuous patents

Coinbase's big wigs might be even more unethical than traditional bankers. There's always something dodgy about pretty much everything they do. With that in mind, no one could have ever guessed that they would be bold enough to try and patent common terms like "bitcoin exchange" or "hot wallet for holding Bitcoin." Of course, the company claims they wouldn't try to prevent others from using those terms if their application for a patent is approved.

Sure they wouldn't...

Keep in mind we're talking about a community where almost everything created is open source. It's moves like these that give you a clear idea about the type of people calling the shots at Coinbase.

5. Constantly looking for ways to cheat customers

Coinbase made headlines earlier this year as the Bitcoin fork approached. The company announced it wouldn't provide its users with an equivalent amount of Bitcoin Cash after the fork (which is the norm when cryptocurrencies are forked), leading to an uproar from millions of users.

Coinbase eventually changed its tune after a few prominent legal experts made it clear the company had no right to confiscate its users' Bitcoin Cash. Their users will eventually get their Bitcoin Cash in January 2018, several months after every other major exchange has already sent them out.

At times, it seems like Coinbase is on a mission to be the most hated cryptocurrency exchange.

Is Coinbase safe to use?

The likelihood of you waking up someday and discovering that all the Bitcoins held in your Coinbase wallet has vanished is rather slim, so in that sense it is safe.

However, there are better options like Poloniex and Bittrex if you are already familiar with how cryptocurrencies work. Many of these other sites didn't create their trading platforms with the complete Bitcoin beginner in mind, so it's easy to get lost on them if you don't know what you're doing.

If you think Bitcoins are something you can keep in your pocket, you'd probably be better off using Coinbase until you learn the ropes. Here are a few things you should keep in mind if you decide to go the Coinbase route:

- Never use Coinbase as your primary wallet
- Never make purchases from questionable vendors
- Be prepared to upload all your important documents
- Send your cryptocurrency to a private wallet whenever a fork approaches