The hidden cost of buying crypto directly on your trading app

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Key Takeaways

- Trading apps offer convenient access but can involve high, spread-driven trading costs
- These costs are often obscured by market movements and can be difficult for investors to identify
- Crypto ETPs provide more transparent pricing and clearer fee structures

In our previous blog, From gold bars to bitcoin: the blueprint behind physically-backed ETPs, we discussed the origins of physical crypto exchanged-traded products (ETPs) and their potential advantages over holding crypto outright in a personal wallet.

- **Safe storage:** Cryptocurrencies are kept with regulated custodians that use industry-grade cybersecurity systems.
- **High liquidity and fair pricing:** Crypto ETPs trade on major exchanges with active market makers, which may help keep prices close to the value of the underlying cryptocurrency.
- **Easy access:** Buy and sell cryptocurrencies through regular investment accounts. No need for wallets or private keys.
- **Cost-effective:** A simple, transparent structure that can keep costs low for investors.

In this blog, we want to evaluate the costs of a new and emerging way to buy crypto: via popular trading apps which now also offer the ability to buy crypto outright.

The hidden cost of direct crypto investments made on trading apps

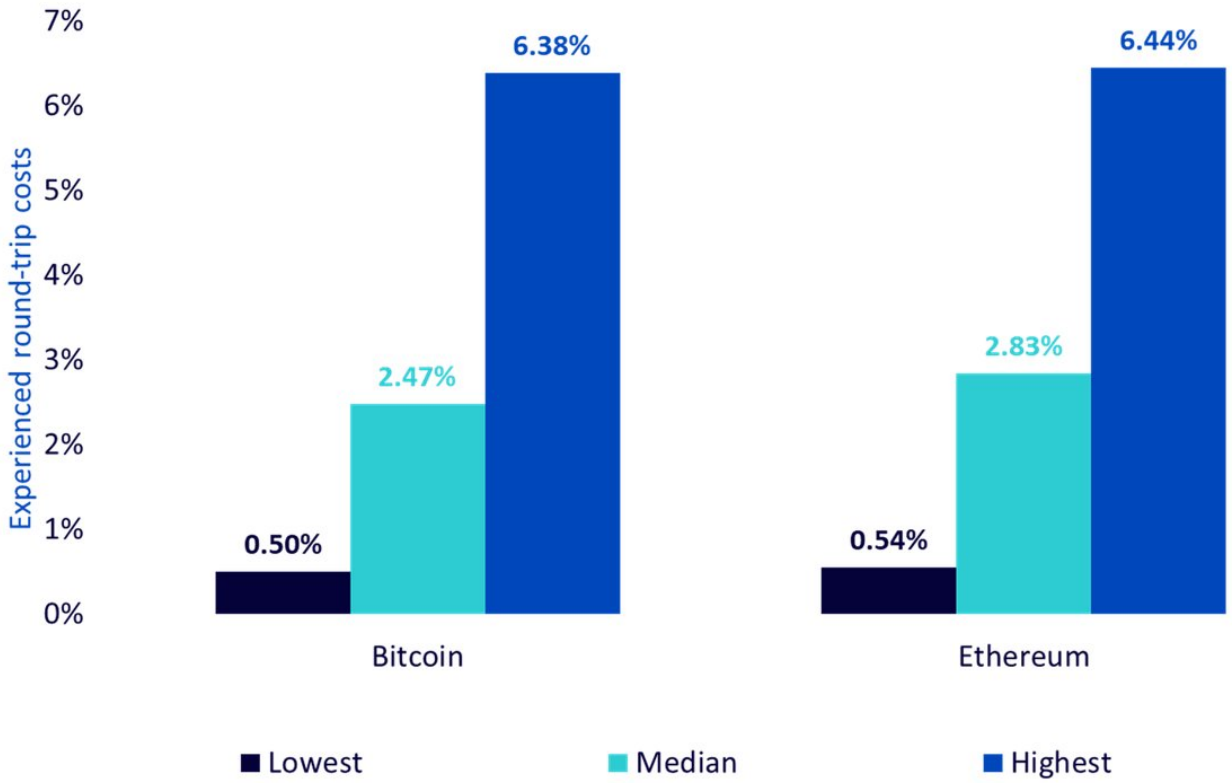
Outside of buying crypto directly and managing private keys independently, investors are increasingly able to buy crypto directly in their trading app. In this convenient approach, investors do not need to manage private keys. Cryptocurrencies are held with the trading app's designated custodian, typically using institutional-grade security measures.

A key difference is that when buying and selling crypto directly via a trading platform, transactions take place 'over the counter' (OTC), which means you are trading directly with the platform or a small group of partners, rather than in a large open marketplace with lots of buyers and sellers. Because of this, prices are set by fewer participants. You may also notice something called the 'bid–ask spread', which is simply

the gap between the price you can buy at and the price you can sell at (the price you can sell at will always be lower than the price you can buy at). In OTC markets, this gap can be wider in some cases, which can make trading slightly more expensive than in more competitive, exchange-based markets.

A recent study conducted by the Frankfurt School of Finance & Management evaluated the experienced total cost of buying and immediately selling crypto across nine different trading apps available in Germany.

Figure 1: Round-trip costs of crypto trading on retail platforms (Germany)



Source: Frankfurt School of Finance & Management (2026), Total Costs Of Crypto-Trading For Retail Investors. Own illustration based on reported round-trip trading costs of selected neo-brokers in Germany. Lowest, Median, and Highest are calculated across the selected neo-brokers. The 'round-trip cost' refers to the total cost of buying and then selling the same asset. **Historical performance is not an indication of future performance, and any investments may go down in value.**

The results were surprising: not only is the median experienced cost across the analysed trading apps high (2.47% for Bitcoin), but the difference between the lowest and highest trading costs reaches up to 6% (Figure 1).

Why ETPs offer more transparent and competitive pricing

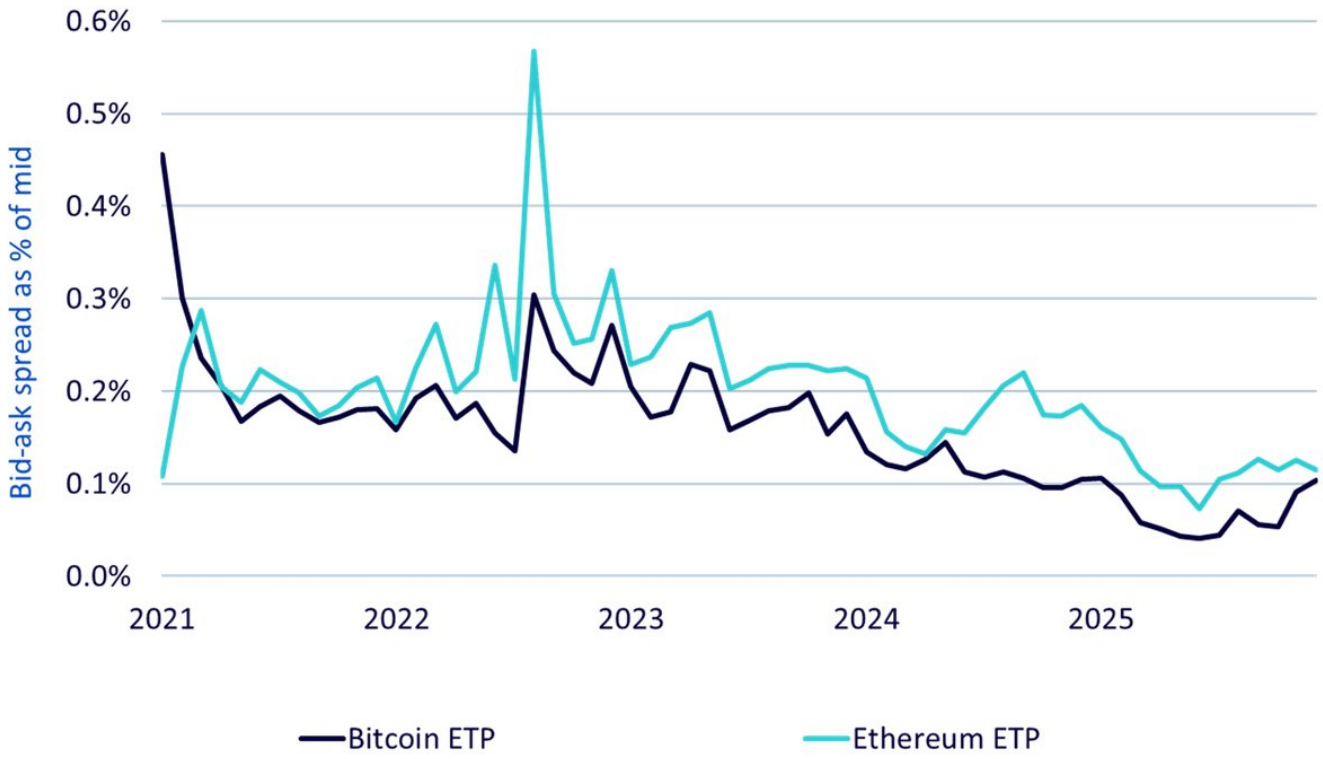
Coins themselves have no fee, and yet high-quality custody isn't free either. Thus, trading apps must recover costs through trading. The study isolated the round-trip cost by selling immediately after purchasing. When holding coins for longer, it can be difficult for investors to distinguish between the spread and the

performance of the coin itself. On top of that, the large difference between the most cost-efficient and the highest-cost platforms may suggest a difficulty in comparing platforms.

ETPs, on the other hand, trade like shares of public companies on large exchanges with a high number of participants, from private to professional investors. As more market makers compete for orders, we typically see tightening bid–ask spreads for plain vanilla crypto ETPs such as Bitcoin and Ethereum (Figure 2).

ETPs also have relatively low, transparent management fees, which are used to cover the costs of safe custody and the general lifecycle of the product. Both approaches involve different types of costs, which can vary depending on platform, market conditions and trading behaviour.

Figure 2: Bid-ask spreads of Bitcoin and Ethereum ETPs have tightened over time (Xetra)



Source: Bloomberg from April 2021 to March 2026. Displayed values are the time-weighted average bid-ask spreads of the Xetra listing of the WisdomTree Physical Bitcoin and the WisdomTree Physical Ethereum as a percentage of the mid-price, observed over 21 trading days. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Conclusion: transparency matters when investing in crypto

In earlier blogs, we discussed the benefits of holding crypto ETPs over buying crypto with a personal wallet: safe storage, high liquidity and fair pricing, easy access, and cost-effectiveness.

What keeps investors up at night is not knowing the final cost of their investment before they exit. When evaluating the total cost of an investment, investors need to consider the cost of holding the investment, as well as entry and exit costs.

Even though coins do not bear any ownership fees, investors buying crypto directly on trading apps can experience high trading costs. Physical crypto ETPs, by contrast, typically charge a transparent and relatively low management fee and trade on exchanges in a similar way to equities, where competitive market making can help support efficient pricing and lower trading costs.

For investors looking to get started, WisdomTree offers a broad range of physically-backed crypto ETPs, available on trusted platforms.

While crypto ETPs offer a structured and transparent way to gain exposure, they are not without risks. The value of crypto assets can be volatile, and investors may experience losses. Prices of ETPs may fluctuate in line with the underlying crypto market but may not always perfectly track the performance of the underlying asset. In addition, liquidity can vary depending on market conditions, which may impact the ability to buy or sell at desired prices. As with any investment, investors should carefully consider the risks alongside the potential benefits before investing.

Important Risks Related to this Article

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