Decentralised Finance (DeFi)

Forms of DeFi (financial system that functions without any intermediaries and operated just by the power of 'smart contracts')

Monetary banking	Peer-to-peer lending & borrowing	Tokenisation	Decentralised Exchanges (DEXs)	Derivatives	Prediction markets	Decentralised Insurance
•DeFi aims to build a monetary and banking system based on blockchain through the issuance of stablecoins • the issuance of stablecoins plays the role of money-creation through the unregulated creation of safe assets to meet users' transactional demand and beyond •backed by actual assets in certain instances, stablecoins provide the same value to cryptocurrency investors, traders and exchanges that fiat money provides to the participants in the traditional financial markets, namely stability	•one party providing assets to another in exchange for a steady income stream paid in the form of interest •enables users become lenders or borrowers in a completely decentralised fashion such that an individual has complete control over their funds at all times • made possible via the use of 'smart contracts' that operate on open blockchain solutions such as Ethereum	•the issuance of tokens on blockchain-based protocols to represent practically any real-world asset • assets like art, property, commodities, stocks, etc are owned and traded on blockchain •presents endless opportunities for innovation and is an additional tool to democratising access to markets	•De-Fi platforms that facilitate peer-to-peer trading by relying on automated 'smart contracts' to execute trades without involving a trusted intermediary •by cutting out CEXs and similar-structured custodians, DEXs help eliminate single points of failure aligning them with what has made the blockchain technology so powerful in the first place • DEXs take on a non-custodial framework which means that the custody of cryptoassets remains with the investor themselves	•one of the key elements of any mature financial system with their two main use-cases being as hedging instruments and as means of speculation •within DeFi, hedging allows for the managing of financial risk enabling crypto companies hedge their exposure to different crypto-based technologies (protocols) and run more predictable businesses •yield-farmers, for example, can use derivatives to offset a potential loss that can occur if the price of one of the tokens used for 'yield-farming' loses its value in relation to another token	•a place to buy and sell predictions or bets that relies on the collective wisdom of the crowd for a correct outcome •blockchain-powered PMs create digital democracies that utilise 'smart contracts' for bets on various issues •those who believe they have superior knowledge to the market can bet and potentially earn a reward for this •the market price adjusts in response to what the crowd thinks the probability of the event is over time. The possibility of making a profit lies in deviating from the consensus	•innovation acting as a protective gear for the De-Fi sector leveraging blockchain technology to cover risks and protect cryptoassets •the nature of 'smart contracts' and decentralised protocols makes them subject to exploits and hacks, leading to significant losses for affected users •these include flash loan hacks that exploit weaknesses in the 'smart contracts' that govern protocols •relies on its community of users to dictate premiums and orchestrate payouts.

Full article: https://www.blockchainandcryptoassetk.com/our-thinking