



What Is DeFi, and How Can You Gain Exposure to it?

Description

Decentralized finance (DeFi) integrates traditional finance with Web3. This breakthrough emerging financial technology replaces cryptocurrencies with conventional currencies and uses blockchain technology to facilitate all financial transactions. Colloquially known as “open finance,” DeFi operates through peer-to-peer transactions, thereby eliminating middlemen.

DeFi aims to reduce the time taken to process financial transactions as well as reduce the transaction fees charged by banks and other institutions. It also helps crypto holders store their tokens in a secure end-to-end encrypted wallet instead of traditional bank savings and chequing accounts.

DeFi transactions can be processed from anywhere in the world, as long as you have a stable internet connection. Eventually, the need for physical bank branches might be eliminated. In addition, DeFi is designed on the blockchain platform, where proper ledgers of all such transactions are maintained, thereby reducing the possibility of irrecoverable loss or theft of cryptocurrencies.

Some of the most prominent DeFi platforms include decentralized exchanges (DEX), decentralized autonomous organizations (DAO), and decentralized applications (dApps).

Top DeFi cryptocurrencies

Most DeFi platforms and applications are designed on the **Ethereum** ([CRYPTO:ETH](#)) blockchain, thanks to its smart contract features. Ethereum’s smart contracts are automatically executed provided base conditions are fulfilled, thereby automating a majority of the financial transactions.

As it eliminates the need for a middleman, DeFi transactions tend to be significantly cheaper compared to traditional banking transactions. Also, these unregulated transactions tend to be processed relatively faster and provide enhanced flexibility to crypto holders.

DeFi protocol **Aave** ([CRYPTO:AAVE](#)) has been gaining traction as a major decentralized cryptolender. In fact, Aave is currently one of the largest cryptocurrency lenders and has a higher market cap compared to its peers. The protocol was initially designed on the Ethereum network.

Underlying Aave tokens were also using the Ethereum blockchain and smart contract features to process transactions. However, Aave has eventually expanded its protocol to include other top blockchains, namely **Harmony**, **Avalanche**, and **Fantom**.

Apart from using crypto and Ethereum-based assets, Aave also provides pools for several real-world assets (RWA). Since crypto transactions, especially lending, require over-collateralization, users can put up any tangible asset as collateral. Popular RWAs used in DeFi transactions include real estate, payment advances, and freight invoices.

DeFi index vault

On June 7, the structured DeFi platform Thetanuts Finance launched a trading product, Thetanuts Stronghold index vault. Similar to the equity benchmark index **S&P 500**, Thetanuts Stronghold generates non-inflationary returns on investment through option selling. The trading product's optimal risk management and user-friendly interface make it popular among crypto traders.

The Thetanuts Stronghold protocol automatically deploys users' staked assets into specified covered selling options strategies through smart contracts. This allows users to generate an organic yield from option selling, which is benchmarked against major ecosystem tokens. Each strategy's option strike prices and expiration dates are algorithmically determined, ensuring the highest risk-adjusted yield generation.

Thetanuts protocol is designed to address the challenges involving option selling, including choice paralysis, concentrated risk, and liquidity lock. With simple investment choices, high liquidity, and optimal risk management, the index vault is well positioned to become the future benchmark of yield generation.

The Foolish takeaway

With the growing popularity of cryptocurrencies and blockchain, decentralized finance is set to overtake traditional capital markets in the upcoming years. While the recent crypto crash has been a major deterrent to DeFi growth, the technology is expected to regain traction once again, as the global markets stabilize.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

1. CRYPTO:AAVE (Aave)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. araghunath
2. kduncombe

Category

1. Cryptocurrency
2. Investing

Date

2025/06/29

Date Created

2022/06/14

Author

araghunath

default watermark

default watermark