

1 Preface

1.1 Development Of Cryptocurrency Investment Market

Cryptocurrency is a digital asset product formed as a transaction medium in an encrypted secure peer-to-peer economy system. Use encryption technology to verify and protect transactions and control the creation of other units.

Since the 2008 financial crisis, Satoshi Nakamoto invented the world's first cryptocurrency, BTC. Thus, it does not need to rely on any third-party intermediary to realize point-to-point value transfer.

Different from the centralized banking system we know, most of the cryptocurrency is carried out in a decentralized form, distributed in a distributed manner to distribute computer system networks (also called nodes) running around the world.



Any user with Internet or weak radio signal can easily trade with people all over the world by clicking a button.

Compared with transnational bank transfers, cryptocurrency transfer fees are lower, and transactions are irreversible, which is different from the refund transactions allowed by credit card companies.

Bitcoin became the first decentralized cryptocurrency in 2009. After that, the entire cryptocurrency market developed rapidly.

As of September 24, 2020, in the field of cryptocurrency, the number of tradable cryptocurrencies has grown from only one BTC to more than 7,000, and the total market value has exceeded 300 billion US dollars, and the 24h trading volume has exceeded 80 Billion dollars. In the post-covid-19 era, in the cryptocurrency market, whether it is transaction types, development level of the industrial chain, technological maturity and market acceptance, the cryptocurrency field in 2020 will be far more stable and effective than the early day's future.

In 2020, the hot spot on the market is the booming development of the killer application of "open finance".

1.2 Development Of Open Finance Market

Open finance refers to permissionless and transparent financial services and products that use blockchain technology. It is also known as "Decentralized Finance" or DeFi, the abbreviation of Decentralized Finance.

Compared with traditional centralized finance (CeFi), this blockchain-based financial practice heralds a natural global financial market that is open and has no barriers and opens up the asset layer, liquidity layer and market layer on the chain.

DeFi has following characteristics:

- No access required: anyone on the Internet can participate;*
- Anti-censorship: no third party can prevent a transaction;*
- No tampering: no third party can reverse a transaction;*
- Reduce counterparty risk: no need for a centralized third party to supervise funds or guarantee transactions;*
- Transparency: the flow of funds on the blockchain is completely transparent and auditable;*
- Open source: anyone can review or participate in code development;*
- Programmable: smart contracts can be written and executed for specific tasks or privately;*
- Efficiency: driven by code rather than human;*
- Combinable: combine different agreements to develop new financial products and services.*

At present, the DeFi market has reached a scale of tens of billions of dollars. Most DeFi projects are developed and operated based on Ethereum, and a few DeFi projects are based on other mainstream public chains. In the foreseeable future, we judge that the development of DeFi will reflect the following trends.

- *The utilization rate of funds has increased, more derivative products;*
- *More Off-chain assets and real-world assets;*
- *The continuous influx of funds and the expansion of the DeFi fund pool;*
- *The number of participants continues to grow, and the scale of DeFi users expands;*
- *Cross-chain technology links multi-chain assets, DeFi realizes cross-chain asset integration.*

1.3 Advantages Of DeFi And Pain Points

Generally speaking, compared with CeFi, that is, traditional centralized finance, DeFi's advantages are mainly manifested in:

- *Efficiency*
- *Anti-censorship*
- *Low threshold*
- *Open and transparent*

The current DeFi defects and pain points are mainly manifested in:

- *Compared with CeFi, DeFi has a smaller capital volume;*

- *The liquidity is not good enough, and it is difficult for large funds to participate;*
- *The use threshold is high, and it is more difficult for ordinary users to participate;*
- *There are many investment targets, and it is difficult for ordinary users to choose;*
- *There are isolated islands of assets between different public chains, which have not been opened up across chains.*

It should be said that although the current DeFi market has achieved great development, due to the limitations of technical conditions and other factors, there are the above shortcomings and pain points, making DeFi still relatively small, and the number of participants and the scale of funds are also limited which have a negative impact on the growth of the cryptocurrency industry.

Therefore, the DeFi field urgently needs some innovative technologies and concepts to improve and solve these pain points and create value for users. More importantly, through these new technologies, innovative concepts will attract and carry more users and funds into the entire cryptocurrency field, thereby bringing further growth and evolution of the industry.