

What is DeFi ?

DeFi means “decentralized finance” and wants to compete with the classic banking sector. It includes the classic financial services such as lending, saving accounts and more that are processed at DeFi using a decentralized approach.

Financial services are implemented with the help of the blockchain, for example. lending money.

The difference to classic banks is that the middleman (for example a bank or a stock exchange) is eliminated and replaced by smart contracts.

Exemplary areas of application

- Lending money as a substitute bank lending business
- Stablecoins for example Tether (USDT)
- Decentralized Exchanges (Uniswap / Pancakeswap)
- Staking. Staking is similar to saving accounts. You get rewards for your money.

Advantages of DeFi

DeFi offers various advantages, e.g.

- No middlemen like banks
- automation
- Lower fees
- Reduction of bureaucracy

Risks of DeFi

- Attack by hackers
- If you make an application error, your money is gone
- Error in smart contract

You see, with DeFi a whole new area is emerging that brings us many advantages but also risks.