DAI

As a wake of high volatility in Bitcoin and Ethereum, with possible rising or falling 25% in a day, the Dai Stablecoin popped up. The Dai Stablecoin is a collateral-backed cryptocurrency, and its value is relative to the US dollar. The main goal of the Dai Stablecoin System is to create a stable and decentralized digital currency.

Why stable? To maintain Dai's value, who is backed by collateral assets stored in the smart contracts which are called collateralized debt positions. All the users can lock up the collateral assets, such as Ethereum in a CDP, and it's used to generate the corresponding number of Dai. In other words, the Dai is similar to the ETF instrument, and it can effectively decrease the proportion of Ethereum in the portfolio, as well as the volatility and instability. The Dai Stablecoin System has several mechanisms to ensure price stability, such as the Target Rate Feedback Mechanism, which adjusts the target price of Dai based on the market conditions. Moreover, the Global Settlement process can ensure users redeem their Dai for the underlying collateral. Therefore, the price of Dai is stable, and it's not intensively impacted by the Black Swan events.

Decentralized or Centralized? Although Dai seems to centralize the collateral assets into one portfolio, however, the decentralization is still a typical feature. First of all, Dai is built on the Ethereum blockchain, which ensures the system is not controlled by a single entity and operates in a transparent environment. The Ethereum blockchain also provides the infrastructure for Dai, and Dai is able to manage collateralized debt positions and other system functions. Besides, the Dai is governed by MakerDAO, who is a decentralized autonomous organization. The MKR token holders is capable of making decisions related to its risk parameter, collateral types, system upgrades and other important aspects of the ecosystem. This democratic process can help Dai to prevent centralized control and ensures that decisions are made collectively by the community. In addition, the Dai is held by collateralized debt positions, whose decentralized nature and management is to ensure the system is resistant to centralized points of failure or manipulation. What's more, Dai is integrated with decentralized finance (DeFi), its decentralized nature makes the Dai become a suitable currency for use in various DeFi applications, such as decentralized lending platforms, decentralized exchanges, and other financial services that do not rely on the traditional centralized intermediaries. Compared to other cryptocurrencies, Dai is more complex and has higher regulatory risks. The Dai is built with CDPs, MKR tokens, and various price stability mechanisms. The complexity may lead to a steep learning curve for users and also become vulnerable or risky for those investors who do not understand the system well.

In a nutshell, as a decentralized cryptocurrency, Dai helps to ensure transparency, security, and resilience against centralized points of failure. It can minimize the risks correlated with centralized control and promotes a more open financial system.

Cryptos – a Security, a commodity, or a currency?

Cryptocurrency is a security, and it should be regulated by the SEC. According to the definition provided by Wikipedia, a security is a tradable financial asset of any kind. The cryptocurrency now is traded through exchanges, such as Binance and Coinbase, and the market has 1.23 trillion capitalizations up to April 26th, 2023, including the coins, contracts and other derivatives. Apparently, cryptocurrency matches the definition of security. Moreover, in 1946 supreme court ruled the Howey Test that a transaction is considered to be a security if it reaches four criteria:

- Money is invested
- There is a an expectation the investor will earn a profit
- The investment is in a common enterprise
- Profits are generated via the efforts of others

Although a few coins don't match some of the criteria, most of the tokens satisfy and they are considered as securities.

In addition, some cryptocurrencies are introduced through the initial coin offerings, abbreviated as ICOs, where can resemble traditional securities offerings. The investors expect to gain profits from the rally of the tokens, and it's similar to how investors expect returns from traditional securities. Also, some cryptocurrencies offer dividends like the traditional securities, such as AscendEX(ASD), Bibox(BIX), KuCoin(KCS), etc.

What's more, if we deeply compare cryptocurrency and the traditional securities, both of them are managed and determined by an entity. The traditional securities are issued by their company and the value is decided by the performance of the company. Regardless of the supply and demand, the value of cryptocurrency is also determined by the success of projects and the efforts of the central entity.

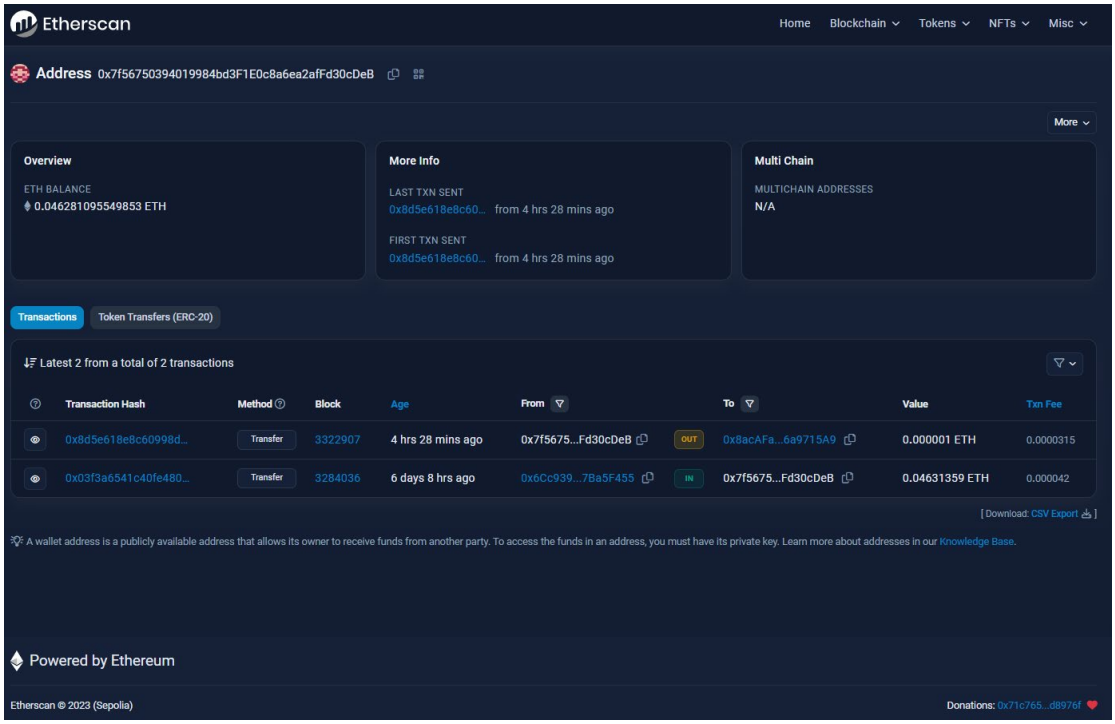
Therefore, cryptocurrency is highly similar to the traditional securities, and most of the tokens are qualified to be considered as a security, according to the Howey Test.

Divergence

However, the biggest ramification appears on Bitcoin. The Bitcoin investors don't think Bitcoin should be listed as security because they don't regard Bitcoin as a tool to raise capital. Except Bitcoin, another important example to support security option is the second largest cryptocurrency, Ethereum. The Ethereum foundation has already utilized the Ether Coin as a tool to raise capital and to achieve decentralization. For instance, the staked Ethereum coins can earn interest and the attribute of financial instrument gradually becomes stronger.

Cryptocurrency now is approved by most investors, and the market is growing larger. More and more investors are dedicated to the crypto market, and they are focusing on the potential profits and appreciation in value, which also leads to the cryptocurrency perceived as a security.

The Screenshot of transaction:



Procedure. I started off by inquiring about my close friend's address, which is a singular identifier and a sign of status. After I clicked on the “transfer” button, I was required to enter her address ID before the transaction could be completed. Only a few seconds after I clicked on the confirm button, the transaction was executed successfully.

What I found on Etherscan. On the page provided by Etherscan, I was able to track the specific details of this transaction, such as the sender and the recipient of the transaction, no matter my address or her address. It means that the transaction information is transparent, only need to know one address. Besides, it is possible to monitor which transaction was executed on which block. For example, the most recent transaction took place on the block with the identifier "3322907." At the same time, there were 22 transactions being executed, and 16 of them were withdrawn, as well as 0 contract.
More specifically, when I click on the confirm button to transfer my ETH, it would show that your transaction is pending. In my opinion, the system is searching for the appropriate block to proceed with a group of transactions for saving time, which is analogous to the .Zip compression.