



Synthetic Assets

Understanding Synthetic Assets

In order to understand synthetic assets, it is important to note that synthetic assets are derivatives.

Basically, a derivative is an asset that derives its value from an underlying asset.

Synthetic assets are financial instruments that simulate another asset's payoff. Thus, they are synthetic, not actual assets, and also referred to as synths.

These are blockchain-based crypto derivatives that act like traditional derivatives, but truly, they are not.

A synthetic asset is nothing more than a tokenized derivative that imitates the value of another asset.

For example, if you want to trade Gamestop stocks but don't want to retain the \$GME asset, you can trade \$sGME (synthetic GME), which mimics the actual asset by following its price using data oracles like Chainlink.

Benefits of Synthetic Assets Over Traditional Derivatives



Anyone can issue: Blockchain-based synthetic assets can be minted using Synthetix and Mirror, which are open-source protocols.

Global liquidity: Synthetic assets can be traded on any crypto exchange, including unstoppable DEX.

Borderless transfers: Synthetic assets are blockchain assets; thus, one can send and receive them between standard crypto wallets.

Frictionless flow: Additionally, one can switch between equities, synthetic silver/gold, and other assets without owing or holding the underlying asset.

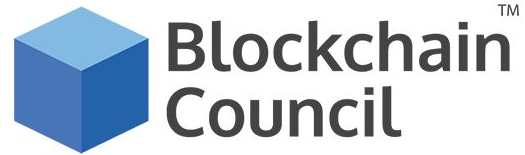
Other Benefits of Synthetic Assets

Apart from global liquidity, borderless transfers, and frictionless flow, there are some other benefits of synthetic assets.

Liquidity Provision - Liquidity demonstrates how quickly and easily an asset can be bought and sold. If there is enough liquidity, a rapid purchase could be made without changing the asset's original market value. Creating a synthetic asset will produce a significant volume of liquidity to DeFi platforms.

Universal Market access - Blockchain-based financial access offers universal market access in comparison with fiat financial infrastructure.

Low funding charge - Customized cash flow patterns make investors offer funds at the lowest price. The investor's principal goal is to raise demand for the asset without changing the interest rate.



Prediction Markets

What are Prediction Markets?

Prediction markets are groups of people who are betting on the result of a certain event.

Market rates will reveal what the general public believes the likelihood of an event is.

In a prediction market, there are two kinds of securities: "YES," or long shares, and "NO," or short shares.

- **YES:** Gives you a payout if an event happens, but none if it doesn't.
- **NO:** If an event does not occur, you will receive a reward, so if it does, you will receive none.

The amount of money paid out is solely determined by how much the customers are willing to offer and how much the sellers are willing to take.

Why DeFi Prediction Markets?

All centralized prediction markets are separated by borders and legislation. The issue is that a prediction market power is directly proportional to its scale. The more business players and regulators there are, more the entry to the markets is limited, reducing its effectiveness.

In addition, centralized markets have a low betting cap, which prevents actors who choose to make high-risk/high-reward bets from participating.

This exchanges normally charge trading commissions and take a share of the gains since they act as an intermediary. If you are a frequent customer, both of these payments will add up quickly.

Finally, a shortage of consumers results in lower participation, making these markets highly illiquid.

Advantages of DeFi Prediction Markets



DeFi has no centralized ownership, and this phenomenon is considered as the heart of DeFi. Due to the reason of having no centralized ownership, DeFi also enjoys some benefits over CeFi.

- The lack of a single overseer allows for free and fair competition in markets. Anyone, everywhere, at any moment, will bet on any result.
- DeFi prediction markets provide you access to assets that were previously unavailable to you.
- If users so like, they can even build their own markets.
- Since DeFi prediction markets are devoid of intermediaries, counterparty risk is eliminated, and fees are significantly reduced.
- Open and unrestricted participation improves the pool's profitability, significantly boosting the potency of DeFi prediction markets.



DeFi Insurance

DeFi Insurance



A finance sector is generally a risky place, and therefore, it is imperative to have a mechanism that guards against risks and threats.

DeFi Insurance is one such idea that acts as a protective gear for the DeFi ecosystem.

The transparency, immutability, and trustless aspect of Blockchain that forms the foundation of DeFi have the ability to disrupt unethical functioning.

Decentralized insurance protocols serve as protections for the crypto industry by exhibiting security steps.

There are several use-cases for decentralized insurance that can help avoid certain outcomes such as smart contract theft, cyber-attacks on exchange sites, and other crucial incidents.

Use-Cases of Decentralized Insurance

**CRYPTO
WALLET
INSURANCE**

**COLLATERAL
PROTECTION
FOR CRYPTO
BACKED LOANS**

**SMART
CONTRACT
COVER**

Use-Cases of Decentralized Insurance

Crypto Wallet Insurance: Crypto Wallet insurance aims to protect against the risk of piracy and attacks on the crypto wallet and smart contracts.

Collateral Protection for Crypto-backed loans: In the case of Crypto loans, if the collateral provided by the borrower is destroyed somehow, then the loan is paid off by the insurance policy. Various companies such as Etherisc, Celsius, Libra Credit, and others have established a consortium that safeguards collateralized crypto-backed loans.

Smart Contract Cover: Another crucial product of DeFi insurance is Smart Contract Cover. In this product, insurance covers the loss in case the designated smart contract address is hacked or attacked. Additionally, it also covers those losses where the funds are permanently missed and cannot be recovered.

Benefits of DeFi Insurance

Protection of DeFi deposits

Protection against crypto volatility & flash crash

Immediate redemption of tokenized crypto

Protection against the risk of theft & attack on crypto wallets

Protection of funds from hacks on exchange platform