Decentralised Finance (DeFi)

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Decentralised Finance Latest News

There has been heightened concern in recent days about the misuse of Decentralised Finance (DeFi) for illicit activities, notably by terrorist groups seeking to raise finances, build infrastructure, or expand their networks.

About Decentralised Finance

- DeFi is an **emerging financial system using blockchain and cryptocurrencies** to enable **direct transactions between individuals and businesses**.
- DeFi platforms **use a combination of existing blockchains, stablecoins, software**, and **hardware**.
- It **offers financial products and services** enabling saving, investing, lending, remittance, insurance contracts, etc., **without the intermediation of traditional financial institutions** like banking.
- The **transactions take place through smart contracts, open protocols,** and **decentralised applications (D-Apps)**, allowing **direct peer-to-peer transactions** without intermediation.
- **A digital wallet**, when i**ntegrated with DeFi, serves as a gateway,** bypassing the banking network.

    - **Access to the DeFi service does not warrant** the **opening of an account or identity verification.**
    - **A customer can** register with a password and **create several crypto wallets.**
    - **Most wallets do not ask for an address, phone number**, or email verification, and **one can use different DeFi exchanges or DeFi lending and borrowing platforms.**
- This system **eliminates intermediaries** like banks and other financial service companies. These companies charge businesses and customers for using their services, which are necessary in the current system.
- By eliminating intermediaries, DeFi **aims to reduce costs and speed up processes.**
- **Unlike centralized financial institutions** such as banks, exchanges or brokerage firms, **DeFi systems provide uncensored access for everyone.**
- In a DeFi system, **individual traders can easily store and transfer funds in a digital wallet,** which is **directly accessible at any time,** with no intermediary.
- Overall, DeFi **offers users more control over their money.** Financial **assets can be transferred** or purchased **in a matter of seconds or minutes.**

Source: DH
