DeFi on Concordium

What is Defi?

Decentralised Finance (DeFi) is an umbrella term, covering all activities related to financial transactions on a decentralised network.

Such activities range from simple exchange services, for example changing Bitcoin (BTC) into Global Transaction Units (GTU), over prediction products, online betting to more advanced services such as lending and mortgaging. As an overview the following areas are currently covered by the term, but the list is growing daily.

- Stablecoins
- Lending Platforms
- Decentralised Exchanges (DEXs)
- Wrapped Assets (WBTC)
- Prediction products - Oracles
- Non-Fungible Tokens (NFTs)
- Mix of the above

These are similar services to those provided by existing organisations. The major difference with DeFi is that the products don't rely on financial intermediaries such as banks, clearinghouses or brokers. Instead, the combination of permissionless participation and programmable (Smart) contracts, enable direct and automated processes to deliver these services without the middle-men.

 The DeFi concept stretches far into regulated activities, where rules are in place to ensure that the products marketed follow legal norms and are scrutinized to ensure that participants are protected. Decentralised finance means that there is no intermediary, or 'manager', and thus many of these manual protections cannot be used, they are replaced by algorithmic protections.

So, why DeFi ? There are many sources for a complete explanation, but since products simply depend on code, they can be launched very quickly, and with no cost. Financial products that we cannot imagine today will be created, helping enable the dream of a new Financial Future.

DeFi on Concordium

Concordium's Smart Contract environment will support all current DeFi activities. Further, our encrypted transactions provide security and privacy - preventing visibility of transactions to others and thereby *de facto* knowledge of detailed transaction intent and activity.

Building DeFi projects on Concordium will bring more than a private and secure environment. The Concordium Identity Object changes the way DeFi projects can be organised, enabling the classification of participants in a way which brings trust and as a result will attract larger participation.

The Concordium Identity Object consists not just of a real-world identity, but also a number of attributes that can be attested by an Identity Issuer. These might include Fixed attributes, such as a reference within the system. Granted attributes, such as Experience or perhaps Qualifications or Training. Other attributes could also include proof of funds. The combination of these attributes will enable the designing of DeFi projects where only the right mix of users are accepted.

This could be used to ensure that only participants with the right experience, training and means are partaking. From a project point of view this means greater trust from the participants, who will be willing to place bigger investments. Conversely it also means that the participants without the necessary qualifications to participate or the means to support a margin call, will not be able to.

The ID layer also means that the user who has deployed and initialised the DeFi smart contract can be identified, should this be required, using the Identity Revocation mechanism. For more information see the separate *Concordium Identity Revoker* document.

One of the initiatives

Bitcory is an upcoming Decentralized Exchange that will enable users to exchange crypto using atomic swaps in an environment where both the seller and the buyer will be identified using Concordium ID layer and Zero-Knowledge Proofs.