

One of the great attributes of Ethereum, and therefore a core feature and advantage of DeFi, is composability: I might have a bank account, a financial savings account, and another account to bring in equities, bonds, or derivatives, but making them work together or moving value between them is clunky. Now those elements can interact and even be configured into composite structures or flows with interoperable smart contracts and Ethereum DeFi dashboards. Adding a new application to the Ethereum World Computer makes that application available to, and interoperable with, many other applications on the platform. Hosts of financial primitives can be combined like Lego bricks and deployed swiftly, inexpensively and globally with ease. With ConsenSys's Codefi offerings, along with OpenLaw, the marginal cost of manufacturing and distributing a new financial instrument is dropping towards zero.⁴

A creative and intrepid DeFi explorer (Definaut?) could receive a stablecoin payment, convert it to Ethereum, and use some of the amount to fund a Maker collateralized debt position, or CDP – getting the long-term benefit of growth on the Ethereum while being able to use the money.⁵ She might use another piece of the amount on an exchange to purchase a different coin, send that coin to Compound and earn interest on it, cash out that interest to buy yet another coin on another exchange, and use it to invest in a tokenized asset or in a risk-free lottery like PoolTogether, all while hardly noticing the fees. That is a powerful change from existing payment channels and can happen in a fraction of the time, to say nothing of attempting any of this across national borders. Now value can move around as freely (easily and cheaply) as information.

Stablecoins offer emerging markets entry into the DeFi ecosystem and participation in a wide variety of previously inaccessible financial applications. Reduced friction across borders and less volatility than local fiat currencies make stablecoins particularly attractive in these markets. Last year, a ConsenSys partnership with Oxfam used DAI to distribute humanitarian aid delivery vouchers in the South Pacific island nation of Vanuatu, which is prone to frequent natural disasters.⁶ The program used a voucher token wrapped around a DAI token, which could only be unwrapped and redeemed by verified members of the program's whitelist – an AML measure that also took advantage of mainnet security and ensured regulatory compliance.

Developed markets, too, could soon rely increasingly on price-stable currencies as the major monetary systems of the world are challenged. We've seen

the yield curve inverting and central bankers around the world have been engaging in quantitative easing for quite a while. As they try to stimulate national and global economies, more rapid quantitative easing will eventually cause a loss of trust in these centralized fiat currencies. Various configurations of price-stable blockchain-based currencies built on top of state-issued currencies or other instruments could prove to be a promising new model.

Countries are already becoming increasingly comfortable with the notion of minting their own digital currencies, pegged to some fiat asset, as a means of reducing transaction fees and increasing transaction speed. The British Virgin Islands recently announced the development of a digital currency pegged 1:1 against the US dollar. Their goals are to reduce transaction fees and increase transaction speed. The central bank of France will soon begin testing a central bank

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digital currency (CBDC), while the People's Bank of China and the Marshall Islands are also set to roll out plans for digital currencies next year.

We will see other payments innovations in the coming year. Apple's latest push into mobile payments, Apple Pay, and Facebook's rollout of Facebook Pay to support in-app payments on WhatsApp, Instagram, and Facebook are part of a larger trend towards mainstream comfort with mobile payments, not to mention massively popular platforms like AliPay and WeChat Pay in Asia. Mobile payments through Apple Pay and services like Venmo and the Venmo card are already familiarizing consumers with the idea of money existing on their phone, and will act as an on-ramp towards the download of a mobile wallet. Consumers and businesses alike will begin to realize that money transmission can, and should be, as simple as sending a text message. Cash flow is so important to small businesses that they are eager for a way to cut settlement time,

⁴ Codefi is ConsenSys' commerce and open decentralized finance group. For more information, visit <https://codefi.consensys.net>

⁵ A MakerDAO Collateralized Debt Position or CDP, is an Ethereum-based smart contract that creates Dai in exchange for collateral, which it holds in escrow until the borrowed Dai is returned.

⁶ For more information, visit <https://consensys.net/social-impact/project-unblocked-cash-case-study/>.