> "What is needed is an electronic payment system based on cryptographic proof instead of trust, allowing any two willing parties to transact directly with each other without the need for a trusted third party."
> — Satoshi Nakamoto

The cryptocurrency and blockchain revolution is about removing unnecessary intermediaries from financial transactions. Over the past six years, large cryptocurrency exchanges and brokers have gradually expanded their services. Originally, they provided deposit accounts and trade settlement. Today they offer stablecoins, lending, staking, crypto payments, and derivatives. However, the market is fragmented with different exchanges, custodians, brokers, and market makers.

In 2020 and onwards, cryptocurrency companies will compete to have the largest network of users by providing the most user-friendly and lowest cost on-ramp into crypto from fiat. Similar to the consolidation of investment banks and commercial banks after the repeal of Glass-Steagall in the 1990s, cryptocurrency companies are becoming megalith companies that provide a whole gamut of financial services from security token underwriting and listing to retail checking accounts. In response, decentralized finance (DeFi) applications are being developed that increase the variety and quality of services in the entire industry.

The decentralized finance movement is taking us back to Satoshi Nakamoto's original vision of conducting financial transactions online without an intermediary. In contrast with the centralized services provided by crypto banks and exchanges, decentralized finance refers to financial services that allow users to keep custody of the private key that controls access to their wallet. There is already $670.9 million worth of cryptocurrencies locked in Ethereum-based DeFi smart contracts with MakerDao Dai accounting for 50 % of that market.[1] When including EOS-based DeFi applications, the figure swells to $892 million currently locked in decentralized finance smart contracts.[2] For example, the DApp EOSRex has almost $300 million locked in it.[3]

According to the Financial Stability Board, there are four main ways that DLT will impact financial services: payments and settlements, trade finance, capital markets, and lending.[4] This article focuses on the two main areas where decentralized finance applications built on public and permissionless distributed ledger technologies like blockchains are expected to disrupt banking, including central banking, in 2020: decentralized stablecoins and decentralized lending.

Decentralized Stablecoins Are Disrupting Central Banks

The increasing interest in blockchain and distributed ledger currencies has prompted central banks to release cryptographic national currencies. Nine countries have either already launched or will soon launch a cryptographic version of their currency including Singapore (Monetary Authority of Singapore), China (People's Bank of China), Cambodia (National Bank of Cambodia and Soramitsu), Thailand (Bank of Thailand), Brazil (National Social Development Bank), Venezuela

[1] http://defipulse.com/
[2] https://defi.review/
[3] Although the DeFi Pulse is one of the leading data sources for decentralized finance use, Alethio and DeFi Review are also frequently used.
[4] https://www.fsb.org/wp-content/uploads/P060619.pdf