



Dear Member of Congress,

Here at the DeFi Education Fund, we are thrilled to welcome to D.C. the 118th Congress. This Congress has a lot of work to do to ensure that the United States remains a global economic power, as well as a hub for innovation.

Given the events of the last several months, now more than ever, getting cryptocurrencies and decentralized finance (DeFi) under the regulatory umbrella through the passage of sound and well-informed legislation will be essential to achieving this goal.

As many have argued since the collapse of FTX, we can ill-afford to build the future of crypto on centralized exchanges. We must work hand in hand with policymakers and regulators alike to demonstrate the value of what decentralized, disintermediated finance can do for the American people. And equally important, we must work to dispel the myths and make it clear that DeFi should not be looped in with regulatory frameworks designed and enacted to prevent another FTX from happening.

Through DeFi, Congress can pave the way for increased economic access for everyone by making the digital economy fairer, more transparent and more equitable.

As a helpful resource, we have compiled a list of DeFi FAQs that should serve as a starting point for understanding the immense potential that DeFi can provide.

Sincerely,

[The DeFi Education Fund Team](#)



What is DeFi?

DeFi is an umbrella term for open-source software protocols that run on the internet that allow people to conduct financial activities in a new way. DeFi is about creating universally accessible financial infrastructure that anyone with an internet connection can access and use, and that's something anyone can get on board with who values things like accessibility, independence, self-custody, or autonomy in their financial lives.

What are Key Differences Between DeFi & CeFi?

DeFi is a truly decentralized alternative to Centralized Finance (CeFi). CeFi relies on trusted, or allegedly trusted, intermediaries to effectuate activities on behalf of customers, custody assets and control permissions or access. By contrast, DeFi runs on permissionless protocols that lack centralized intermediation entirely.

This is an essential distinction that needs to be taken into account when drafting legislation. It would not only be misguided, but also inhibit innovation, should DeFi be caught in policies aiming to regulate CeFi.

What are Some of the Benefits of DeFi?

Increased Transparency

DeFi protocols increase operational transparency about the mechanics of market infrastructures and associated fees by using open-source software, which makes transactions more transparent and auditable by using blockchain-based records.

Equitable Market Access:

DeFi protocols are open and available to anyone in the world with an internet connection, giving them the potential to significantly expand access to financial services. That access empowers more people to use financial services without having to go through intermediaries that may prevent sectors of the market from participation, either through unavailability, absolute prohibitions, excessive pricing, or unfair or discriminatory treatment.

24/7/365 Liquidity:

Users can access and use markets at all times of the day without the need for closing

markets at the end of each day. Among other things, this eliminates the risk of capital dislocations due to illiquid aftermarket trading in traditional systems.

Lower Costs and Faster Settlement:

DeFi protocols reduce friction and transaction costs for the creation, distribution, trading, and settlement of financial assets with faster settlement times for users.

Improved Security:

Transactions using DeFi protocols are recorded on blockchains, the records of which cannot be manipulated or amended, offering greater security to users.

Greater Control:

The absence of intermediaries in DeFi protocols provides individuals with the ability to custody their own assets, giving them greater control and certainty. Additionally, in some instances, market participants

can directly develop community-governance standards.

Greater Uptime:

Permissionless blockchains are operationally resilient (the Ethereum blockchain has never gone down), whereas traditional market infrastructures have had major technology failures, resulting in downtime for securities markets.

Elimination of Broker Risk:

DeFi protocols have no employees to supervise, no financial risk for users from broker activity or custody, and no interaction between a broker and customers that could result in unlawful sales practices or other unfair and discriminatory dealing.

Elimination of Anti-Competitiveness:

Users can easily move their self-custodied cryptocurrencies from one protocol to another at any time without significant friction, unlike the "siloed" experience in traditional financial services.



About the DeFi Education Fund

The DeFi Education Fund is a nonpartisan research and advocacy group working to explain the benefits of DeFi, achieve regulatory clarity for the future of the global digital economy, and help realize the transformative potential of DeFi for everyone.

We exist because DeFi has immense potential to promote human flourishing, but that potential can only be realized with buy-in from governments and smart policy. We work to help realize DeFi's promise by educating regulators and policymakers and advocating for smart approaches that work.

For more information or to schedule a “DeFi 101” session, please reach out to contact@defieducationfund.org