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Synthetic Assets

Understanding Synthetic Assets

- Synthetic assets are derivatives which means these are an asset that derives its value from an underlying asset.
- This is the reason they are called synthetic assets, not actual assets, and are also referred to as synths.
- A synthetic asset are tokenized derivative that imitates the value of another asset.
- For example, if you want to trade stocks (X) but don't want to own a physical asset (X), you can trade $sX (synthetic X), which mimics the actual asset by following its price.

Benefits of Synthetic Assets

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- Issued by anyone
- Global Liquidity
- Cross Border Transfers
- Frictionless exchange between multiple assets

Other Benefits of Synthetic Assets

Liquidity Provision - Managing the liquidity and availability of synthetic assets is much easier.

Universal Market access - Blockchain-based financial assets can be accessed around the world without any restrictions.

Low funding charge - Customized cash flow patterns make investors offer funds at the lowest price.

What are Prediction Markets?

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Prediction markets are groups of people who are betting on the result of a certain event.

Market rates will reveal what the general public believes the likelihood of an event is.

In a prediction market, there are two kinds of securities: "YES," or long shares, and "NO," or short shares.

- YES: Gives you a payout if an event happens, but none if it doesn't.
- NO: If an event does not occur, you will receive a reward, so if it does, you will receive none.

The amount of money paid out is solely determined by the rates the market has set.

Why DeFi Prediction Markets?

The current centralized prediction markets have major drawbacks that affect the user's access and freedom

- All centralized prediction markets are highly regulated.
- Centralized markets often have a betting cap preventing users from participating.
- High exchange fees charged by the markets.
- A shortage of consumers results in very low liquidity.

Advantages of DeFi Prediction Markets

- With no central authority, the freedom of access to these markets increases drastically.
- Decentralized access allows users to access these markets from anywhere around the world.
- Users can create their own markets for different predictions allowing flexibility.
- Fees charged are significantly lower.
- Open and unrestricted participation improves the pool's profitability, significantly boosting the potency of DeFi prediction markets.

DeFi Insurance

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- DeFi Insurance acts as a protective gear for the DeFi ecosystem.
- DeFi insurance allows DeFi protocol users to cover themselves in case of incidents like hacks and attacks.
- Cover providers lock their money in a pool which is used to insure cover buyers.
- In case of an hack, the cover buyers can file a claim on their insured assets and get paid.
- To reward the risk exposure of the cover providers, the pool rewards an interest on the locked capital.

Use-Cases of Decentralized Insurance

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CRYPTO WALLET INSURANCE

COLLATERAL PROTECTION FOR CRYPTO BACKED LOANS

SMART CONTRACT COVER

Use-Cases of Decentralized Insurance

- **Crypto Wallet Insurance:** Crypto Wallet insurance covers the user in case of wallet hacks or loss of funds.

- **Collateral Protection for Crypto-backed loans:** Crypto backed loans issued by protocols use collateral to issue a loan in case the collateral is destroyed, or the insurance company can step in to pay.

- **Smart Contract Cover:** insurance covers the loss in case the designated smart contract address is hacked or attacked.

Benefits of DeFi Insurance

Protection of DeFi deposits

Protection against crypto volatility & flash crash

Immediate redemption of tokenized crypto

Protection against the risk of theft & attack on crypto wallets

Protection of funds from hacks on exchange platform

THANK YOU!

Any Questions?

Visit

community.blockchain-council.org

Mail Us

hello@blockchain-council.org