

Protocol Layer

[Return to Glossary](#)

Protocol Layer, in [Decentralized Finance \(DeFi\)](#), are the Software protocols which are standards and rules written to govern specific tasks or activities. In parallel with real-world institutions, this would be a set of principles and rules that all participants in a given industry have agreed to follow as a prerequisite to operating in the industry. DeFi protocols are interoperable, meaning they can be used by multiple entities at the same time to build a service or an app. The protocol layer provides liquidity to the DeFi ecosystem. One example of a DeFi protocol is Synthetix, a derivatives trading protocol on Ethereum. It is used to create synthetic versions of real-world assets.¹⁾

Source: <https://www.investopedia.com/decentralized-finance-defi-5113835>

¹⁾

Rakesh Sharma, Investopedia, 24 March 2021, [Decentralized Finance \(DeFi\) Definition](#), Accessed 24 May 2021, <https://www.investopedia.com/decentralized-finance-defi-5113835>

From:
<https://omgwiki.org/dido/> - **DIDO Wiki**

Permanent link:
https://omgwiki.org/dido/doku.php?id=dido:public:ra:xapend:xapend.a_glossary:p:protocol_layer&rev=1622426668

Last update: **2021/05/30 22:04**

