Protocol Layer

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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

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