

Press release

Hamburg Commercial Bank analyses the opportunities and risks of Decentralized Finance (DeFi) in a study

HAMBURG - Decentralized finance models are based on the idea that services provided by banks, asset managers or stock exchanges, for example, can be mapped using code programmed on a blockchain. These business models make it possible to carry out financial transactions directly – i.e. without intermediaries – and therefore particularly cost-efficiently and quickly.

“DeFi business models have the potential to redefine the role of financial institutions in the medium and long term,” says Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank and co-author of the study, which takes a closer look at Compound Finance’s DeFi protocol, among other things. “The case study on Compound, a pioneering company in the field of decentralized finance, illustrates the advantages and disadvantages of DeFi protocols.” The high degree of transparency offered by the Compound approach is particularly fascinating. At the same time, the handling of transactions on this, as on other DeFi platforms, is quite complex, says Dr. Cyrus de la Rubia. “This shows that DeFi business models are still relatively far from being suitable for mass adoption. Greater progress can certainly be expected here in the coming years.”

Hamburg Commercial Bank carried out the study together with the Berlin-based FinTech Bitbond. In the 20-page study, the authors explain the special features of various DeFi protocols and use the example of the DeFi platform Compound to examine the extent to which new providers already represent an alternative to traditional financial institutions. “DeFi protocols still only occupy a niche in the financial markets,” says Dr. Cyrus de la Rubia. “However, banks should not underestimate the dynamics of this technology and should keep a close eye on the advantages of decentralized blockchain solutions, which offer fast, cost-effective and risk-free settlement of securities transactions, for example.”

About Hamburg Commercial Bank

Hamburg Commercial Bank AG (HCOB) is a private commercial bank headquartered in Hamburg, Germany. HCOB offers its clients a high level of structuring expertise in real estate financing and has a strong market position in international shipping. The bank is one of the pioneers in the pan-European project financing of renewable energies and digital infrastructure. HCOB offers individual solutions for the global aviation sector as well as for German and international corporate clients. Reliable and timely payment products as well as other trade finance solutions also support the need of the bank’s customers. HCOB is aligning its activities with established ESG criteria. For further information about HCOB, please visit our [website](#).

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