

Square's latest expansion gives DeFi some needed name recognition

Article

The news: The digital payments heavyweight is planning a platform for developers to create decentralized finance (DeFi) services on the **Bitcoin** blockchain, according to a series of [tweets](#) from **CEO Jack Dorsey**. DeFi is [usually](#) developed on the **Ethereum** blockchain.

Square and blockchain, a lucrative story: Its peer-to-peer crypto payment service, **Cash App Bitcoin**, saw revenues skyrocket nearly [900%](#) year over year in Q4 2020, reaching a value of

\$1.76 billion.

And it's not letting up on that momentum: Square **formed** the **Crypto Council for Innovation** in April with peers to inform policymakers and consumers about the technology. And just last week, Square confirmed it will build a hardware crypto **wallet**, which will let users store their cryptos outside of the Square ecosystem.

What will the DeFi platform look like? Few details are out, but we think Square wants to act as a gateway between DeFi services and its users to double down on blockchain revenues.

Dorsey has a “goal of making it easy to create non-custodial, permissionless, and decentralized financial services.” But there are no details as to how the platform will be monetized. We expect Square is positioning itself not only to support developers but to offer the DeFi applications to end users within its platform.

DeFi has been **touted** as a more disruptive force in finance than Bitcoin by **BofA** because it touches on a wider range of financial services, like lending and insurance. So it would make sense for Square to add the apps to its platform—they would help diversify its offering, and its revenue stream as well.

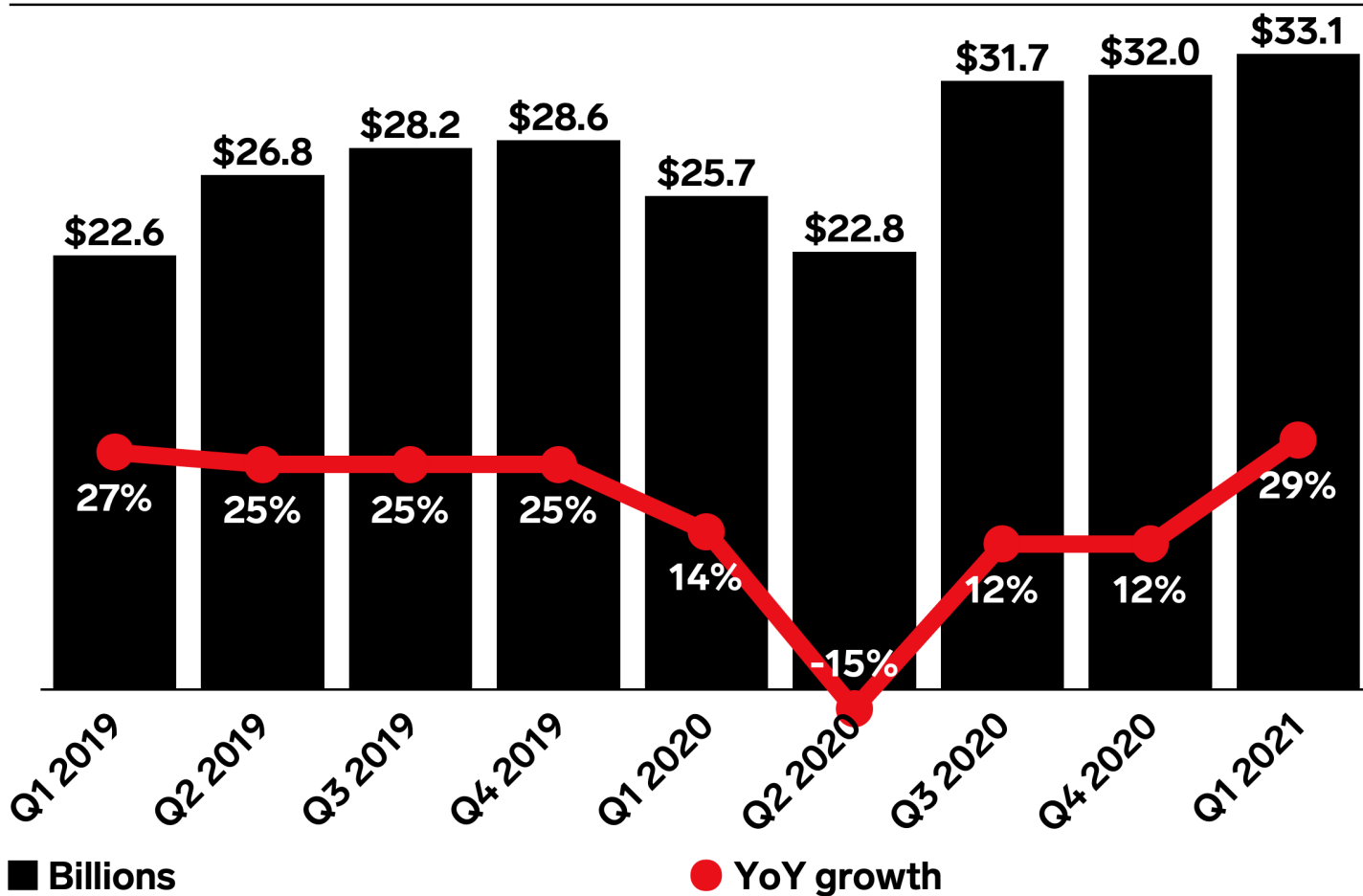
We should get more details on Square's DeFi offering in the coming months—Dorsey said that the process will be “open roadmap, open development, and open source.”

The big takeaway: Square's announcement should encourage further DeFi consumer adoption.

The big industry name will greatly enhance awareness of the sector. Square's Cash App has already been many people's first exposure to crypto, with **1 million** of its roughly **36 million** users using its platform to make their first Bitcoin transaction in January.

A key barrier in DeFi adoption is that such applications are very **hard** to access or even understand for everyday consumers. But Square, acting as the gateway between them and DeFi services with what we expect would be a user-friendly experience, could overcome this issue.

Square Gross Payment Volume



Note: year-over-year growth

Source: Square, 2021

Methodology: This data is from Square's shareholder letter published on May 6, 2021.

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