# Advantages Of Cryptocurrency Transfers Over Bank Transactions

Experts from Uniswap, the largest decentralized protocol by turnover, and researchers from Circle published a paper. They compared conventional international bank transfers with the substitute offered by the DeFi sector; the results were quite shocking. In addition to offering a quicker and less expensive solution to the issue, cryptocurrencies also lessen many of the risks that come with them.

Every day, the foreign currency market handles over $7 trillion. Due to the intricacy of the correspondent settlement mechanism and the extensive network of intermediaries, even in stable operations, about one-third of daily transactions run the danger of not being delivered. According to the Bank for International Settlements forecasts, this sum rose from $1.9 trillion in 2019 to $2.2 trillion in 2022.

With the closure of Bankhaus Herstatt in 1974, settlement risk was clearly illustrated. Several payments stopped, which prevented connected transactions from being completed. The turnover of the New York payment system had decreased by 60% three days later. The note "Herstatt Risk" has more information.

Smart contracts allow for bitcoin exchanges without the host of drawbacks present in the conventional approach. End users are at the center of transactions, messaging, and settlement layers are unified, procedures are more transparent, and there is no chance of market maker manipulation. Therefore, there is no need to connect to national payment systems. This is demonstrated in the following scheme, in which some players transfer money from the US to Europe using banks and others do it using a decentralized exchange:

Since its founding in 2018, Uniswap's trading volume has already topped $1.2 trillion. Similarly, since the launch of the EUROC stablecoin in July 2022, the trading volume in the EUR/USDC pair has surpassed $124 million.

## More About Cryptocurrency Transfers

Stablecoin exchanges do not result in the usual currency market spread widening associated with the opening and closing of regional markets, despite the significantly lower activity. The liquidity pool commission causes the average one- to five-pip gap with the FX price.

Researchers have calculated that savings in international transfers can reach 80% despite the higher cryptocurrency transfer fees, where fees still apply for depositing and withdrawing funds. Banks charge significant costs for similar services, ranging from 5% to 20% of the transfer amount.

The issue is particularly severe in developing nations with a high migrant worker population. For instance, in El Salvador, Lebanon, and Honduras, the share of transfers in the overall GDP exceeded 20% in 2021. In the meantime, more than $500 billion has been provided to low- and middle-income nations. Homeowners might save up to $30 billion annually if they use bitcoins.

The DeFi industry has a big role to play in bringing down the price of international transfers. The research authors admit that the business needs to be held back by inconsistencies in governmental legislation and the challenges of safely keeping bitcoins. However, they are optimistic that continued bitcoin market expansion would raise the appeal of blockchain solutions.