Settlement Layer

Return to Glossary

The **Settlement Layer**, in Decentralized Finance (DeFi), is also referred to as **Layer 0** because it is the base layer upon which other DeFi transactions are built. It consists of a public blockchain and its native digital currency or cryptocurrency. Transactions occurring on DeFi apps are settled using this currency, which may or may not be traded in public markets. One example of the settlement layer is Ethereum and its native token ether (ETH), which is traded at crypto exchanges. The settlement layer can also have tokenized versions of assets, such as the U.S. dollar, or tokens that are digital representations of real-world assets. For example, a real estate token might represent ownership of a parcel of land.[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