

What Is DeFi, NFTs and Web3?

Three Terms Every Crypto Investor Must Understand Before Entering the Market

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DeFi, NFTs, and Web3 are not buzzwords. Each describes a distinct layer of a new digital economy being built on blockchain infrastructure — and understanding what each one means is essential for evaluating where the crypto market is heading and which assets have genuine long-term value.

Term	Stands For	Role in the Ecosystem
DeFi	Decentralized Finance	The financial layer — banks, exchanges, and markets without intermediaries
NFT	Non-Fungible Token	The ownership layer — unique digital assets with blockchain-verified provenance
Web3	The Ownership Internet	The vision — a new internet where users own their data, identity, and assets

What Is DeFi?

DeFi stands for Decentralized Finance — financial products and services that operate on blockchain networks through smart contracts, without any central institution controlling them. In traditional finance, every financial service requires a middleman. DeFi removes the middleman entirely.

When you lend assets on Aave, you are not depositing money with a company. You are depositing into a smart contract that automatically matches lenders with borrowers, calculates interest rates based on supply and demand, and distributes returns directly to your wallet — without a single human employee involved.

Decentralized Exchanges — DEXs. Platforms like Uniswap and Aerodrome that allow users to swap tokens directly from their wallets using automated market maker technology — without a centralized exchange holding their funds.

Lending and Borrowing. Protocols like Aave and Compound that allow users to deposit crypto as collateral and borrow against it, or to supply liquidity and earn interest from borrowers.

Yield Farming. Strategies that deploy capital across multiple DeFi protocols to maximize returns — earning trading fees, interest, and protocol token rewards simultaneously.

Stablecoins. Cryptocurrencies pegged to the value of a stable asset — typically the US dollar — that provide stability within the DeFi ecosystem.

What Are NFTs?

NFT stands for Non-Fungible Token. A Bitcoin is fungible — one Bitcoin is identical to and interchangeable with any other Bitcoin. A non-fungible token is unique — it represents ownership of a specific, one-of-a-kind digital asset, with the blockchain record proving ownership, verifying authenticity, and tracking the full transfer history.

Gaming and virtual assets. In-game items, characters, and virtual real estate that players truly own — not licensed from a game developer — and can trade, sell, or use across compatible platforms.

Real-world asset tokenization. Physical assets — real estate, luxury goods, art, intellectual property — represented as NFTs on a blockchain, enabling fractional ownership and global liquidity for previously illiquid assets.

Event tickets and access. NFTs as tickets eliminate counterfeiting, enable programmable royalties for original creators on resales, and provide verifiable proof of attendance.

Identity and credentials. Educational certificates, professional licenses, and identity documents as NFTs — tamper-proof, instantly verifiable, and owned by the individual.

What Is Web3?

Web3 is the vision of a new version of the internet built on blockchain infrastructure — where users own their data, their identity, and their digital assets, rather than having them controlled by centralized corporations.

Web1 — The Read-Only Web. The early internet of the 1990s. Static websites. Users consumed content but could not interact with it.

Web2 — The Read-Write Web. The internet as it exists today. Users can create and share content — but the platforms own the data, control the algorithms, and monetize the attention. The user creates the value. The platform captures it.

Web3 — The Read-Write-Own Web. A version of the internet where users own their data, identity, and digital assets — represented as tokens and NFTs on blockchain networks that no single company controls.

How DeFi, NFTs and Web3 Connect

Blockchain is the foundation — the tamper-proof ledger that makes everything else possible.

Web3 is the vision — a new internet built on that foundation where users own their data and assets.

DeFi is the financial layer — the banks, exchanges, and markets of the Web3 economy.

NFTs are the ownership layer — the technology that proves who owns what in the Web3 economy.

Key Takeaway

DeFi is the financial system of the new internet. NFTs are the ownership infrastructure. Web3 is the vision of what the whole thing becomes. They are not buzzwords — they are the architecture of a new digital economy being built right now by the largest financial institutions and technology companies on earth.