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What Is DAI Stablecoin? Everything You Need to Know

DAI cryptocurrency is a stablecoin from MakerDAO which aims to span the world of stablecoins and decentralised finance. So what exactly is DAI and how does it work? Let's dive into DAI crypto and MakerDAO.

Decentralised finance ([DeFi](#)) is one of the core ideas behind the crypto world. Amongst the many problems DeFi is meant to solve are the high commission fees and remittance services charged by traditional financial institutions, and cost of currency conversion. The idea is that with a cheaper alternative, remittance charges and commission fees will drop and currency conversion will have to get cheaper to be more competitive.

One of the tools used in DeFi is the decentralised autonomous organisations ([DAOs](#)). A DAO is a programme, often but not always based on the Ethereum ([ETH](#)) [blockchain](#), which has a built-in ability to help people manage their code. The original DAO was effectively closed in 2016 after hackers managed to exploit security weaknesses. This, in turn, led to the [ethereum](#) hard fork which created the ethereum classic cryptocurrency. However, the principle behind the original DAO although, we hope, not its flaws, lives on and organisations such as MakerDAO are helping establish DAOs as a valid concept once more.

Many DAOs have their own native crypto token, and MakerDAO's is called DAI. There is a difference between the DAI and a lot of other native tokens, and that is that the DAI is a stablecoin. This means that it is designed to be worth about \$1. The idea is that a stablecoin acts as a sort of compromise, having the theoretical decentralised nature of a classic crypto, but also having the stability of a traditional fiat currency. While stablecoins have attracted controversy, not least over how, where and whether they can be regulated, some crypto fans see them as a useful tool, because using a stablecoin pegged to the dollar to purchase crypto can, at least in theory, save a lot of hassle when it comes to buying cryptocurrency on exchanges.

What Exactly is DAI Crypto?

Because DAI operates on the Ethereum blockchain, it is, technically speaking, a token, rather than a coin. While you might hear references to such things as a “DAI coin price history”, this is ultimately untrue. However, since “stablecoin” itself is, basically, a catch-all term which applies to both coins and tokens that aim to be pegged to a certain price level, something like a “DAI stablecoin price history” might actually be accurate, if not terribly exciting.

How do you get hold of the DAI cryptocurrency? The Maker DAO whitepaper says: “DAI is easy to generate, access, and use. Users generate DAI by depositing collateral assets into Maker Vaults within the Maker Protocol. This is how DAI is entered into circulation and how users gain access to liquidity. Others obtain DAI by buying it from brokers or exchanges, or simply by receiving it as a means of payment.”

In other words, DAI is an over-collateralised, crypto-backed stablecoin. This means that you have a coin that is backed by more crypto that exists than the actual stablecoin itself. This means it is different from the tradition, fiat backed, stablecoins that continue to dominate the market and from the controversial algorithmic stablecoins that became notorious when the [UST](#) stablecoin got depegged in May 2022, causing the [collapse of Terra LUNA](#), which was used to keep UST worth about \$1, and triggering a market crash whose after-effects are still being felt to this day. The DAI stablecoin remains pegged via the use of smart contracts, which are computer programs which automatically execute once certain conditions are met.



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Price of DAI

There is, ideally, not going to be too much variety in the DAI price history, because it is designed to be worth around \$1 at all times. That said, there have been some fairly notable points of divergence, such as one it made on 18 September 2020, when it traded at a high of \$1.14, or on 16 November 2021, when it freakishly spiked to an all-time high of \$3.67. Looking at things the other way, on 10 May 2020, DAI fell to its all-time low of \$0.9455. Either way, it was not that long after reaching its various extremes before DAI was able to regain its usual equilibrium.

As of 12 December 2022, there were more than 5.68 billion DAI in circulation, which gave the token a market cap of \$5.68bn, which meant it was the 12th largest crypto and the fourth biggest stablecoin by that particular metric.

The actual founder of DAI is Danish cryptocurrency entrepreneur Rune Christensen, who founded Maker DAO in 2015. DAI exists in the form we now know it from 2019, although there was another version of the stable coin before that, called SAI, which could only be collateralized by a single crypto.

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