

Total value locked: what DeFi's headline number counts and leaves out

TVL adds up the market value of tokens deposited in a protocol's contracts, and what counts depends on choices each data provider makes.

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1. How to read it / Where it misleads

Total value locked, or TVL, is the dollar value of the tokens users have deposited in a decentralized finance protocol's smart contracts, the self-running programs that hold and lend or trade those tokens. It is a common size measure in DeFi, the sector of lending and trading apps that run on blockchains instead of through banks or brokers.

TVL has clear limits. It moves with token prices even when nobody deposits or withdraws, so a rising number can mean higher prices, not more users. It counts deposits and leaves out fees, revenue and activity. And every data provider decides what to include, so two TVL figures for the same protocol are comparable only if

they use the same rules.

The rules matter because the same dollar can be counted twice. A token deposited in one protocol can produce a receipt that is deposited in another, and an aggregate that adds both overstates the capital behind them.

This explains how a metric is calculated. It is not a signal, forecast or recommendation, and past readings do not predict prices. Le Coin does not publish live readings of this metric.

2. The formula

DefiLlama defines TVL in its FAQ as "the sum of the value of crypto assets that have been deposited by users to a protocol for the purpose of earning rewards or interest" (source 3). Its methodology page puts it more broadly: "we consider the value of any tokens locked in the contracts of a protocol / platform as TVL" (source 1).

Le Coin's restatement of that method, at a point in time:

TVL of a protocol = sum, over each eligible token in the protocol's contracts, of (token balance x token price)

DefiLlama describes its method as reading balances through an "adapter," a piece of open-source code written for each protocol (source 3). Most adapters query the blockchain directly, though some rely on subgraphs or APIs, which are third-party indexes and data feeds (source 3). For prices, DefiLlama says "almost all tokens are priced using CoinGecko's API," and otherwise falls back on on-chain methods, most often the pool weights of a liquid Uniswap V2 market, a trading pool whose ratio of two tokens implies a price (source 1). It says TVL updates every hour (source 3).

In DefiLlama's approach, a chain's TVL is the sum of the protocols on that chain, after leaving out the categories it excludes by default (sources 1, 2).

3. Example data

The figures below are invented to show the arithmetic. Protocol A, Protocol B and Token Y are not real.

Input	Example data
Deposits in Protocol A	1,000 ETH-like tokens and 500,000 dollar tokens
Price of the ETH-like token	\$2,000
Price of a dollar token	\$1.00

Step	Calculation	Result
ETH-like token value	$1,000 \times \$2,000$	\$2,000,000
Dollar token value	$500,000 \times \$1.00$	\$500,000
Protocol A TVL	$\$2,000,000 + \$500,000$	\$2,500,000
Same deposits, ETH-like token at \$1,500	$1,000 \times \$1,500 + \$500,000$	\$2,000,000

The last row is the price effect: TVL fell by \$500,000 without a single withdrawal.

The next table shows double counting. A user deposits Token Y worth \$100 in Protocol A and receives a receipt token, a claim on that deposit, which the user then deposits in Protocol B.

View	Counted	TVL
Protocol A	Token Y deposit	\$100
Protocol B	Receipt token deposit	\$100
Sum of A and B	Both	\$200
Underlying capital	Token Y	\$100

Borrowing loops, where a user deposits, borrows against the deposit and deposits again, inflate the sum further.

4. Who publishes it and how definitions differ

DefiLlama, which calls itself "the largest TVL aggregator for DeFi" (source 3), is the provider whose method this guide describes. Its own two definitions differ. The FAQ limits TVL to deposits made "for the purpose of earning rewards or interest," while the methodology page counts "any tokens locked" in a protocol's contracts (sources 1, 3).

DefiLlama describes these exclusions from its default figure:

- Tokens not yet circulating or issued, such as team tokens in a vesting contract, which releases them on a schedule (source 1).
- Native staking, where holders lock a chain's own token to help secure it, such as ATOM on the Cosmos Hub. Liquid staking protocols, which issue a tradable receipt for staked tokens, are tracked but left out of chain TVL by default (sources 1, 3).
- Bridges, which move tokens between chains. DefiLlama counts them as projects but assigns them to no chain, because there are "arguments both for including bridge TVL on the origin chain and the destination chain" (source 1).
- Funds in smart-contract wallets such as Argent or Gnosis Safe (source 1).
- Assets that are not on a blockchain; it gives "the dollars stored on Tether's bank account" as an example. Tokenized real-world assets issued on a chain do count (source 2).

It also splits out filters that users can switch on: Staking, meaning a platform's own tokens; Pool2, liquidity positions paired with the platform's governance token, which holders use to vote on its rules; Borrows; Vesting; and Offers, funds approved for spending but not deposited (source 2).

On double counting, DefiLlama says "we don't double-count within the same protocol" (source 1), and that a protocol may not claim its tokens once they are locked in another, "as that's the later protocols TVL" (source 2). Across protocols, it offers a "doublecount" toggle that includes or leaves out receipt and liquidity tokens deposited elsewhere (source 3). DefiLlama says it also removes what it calls unproductive assets, such as pools with few depositors and no trading or borrowing (source 2).

DefiLlama gives its reasons for leaving governance-token staking out by default: to avoid penalizing protocols with no token, and because such staking "muddies TVL as a proxy for traction" (source 3). That is DefiLlama's view of its own metric.

Token Terminal, another data provider, defines it differently: "Total value locked (TVL) measures the total value of a project's on-chain deposits and/or the tokenized value of user deposits made offchain" (source 4). Where DefiLlama leaves out assets that are not on a blockchain, Token Terminal says that for stablecoin issuers it calculates TVL "from the total circulating supply of issued tokens" (source 4). And where DefiLlama keeps borrowed funds behind an optional Borrows filter, Token Terminal says that in lending protocols TVL "is calculated by summing idle liquidity and active loan balances" (source 4).

In Le Coin's view, the toggles are the practical point. Any TVL figure should be read with the provider and the filter settings named, since switching on Staking, Pool2 or Borrows can change the total for the same protocol.

5. Where the term comes from

No originator is credited here. Le Coin found no primary source naming who introduced "total value locked." In Le Coin's view, the term is a data-provider convention with no single agreed definition, as the differing DefiLlama and Token Terminal definitions above show.

6. What it means

In Le Coin's view, TVL measures deposits at current prices. It does not measure users, revenue or safety. Comparing two protocols' TVL is meaningful only when both figures come from the same provider with the same filters.

Sources

- 1 DefiLlama docs, "DefiLlama and our methodology," <https://docs.llama.fi/list-your-project/readme>, accessed 2026-10-16, 8:25 p.m. ET.
- 2 DefiLlama docs, "What to include as TVL?," <https://docs.llama.fi/list-your-project/what-to-include-as-tvl>, accessed 2026-10-16, 8:25 p.m. ET.

- 3

DefiLlama docs, "Frequently Asked Questions," <https://docs.llama.fi/faqs/frequently-asked-questions>, accessed 2026-10-16, 8:25 p.m. ET.
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Token Terminal, "Total value locked" metric page, <https://tokenterminal.com/explorer/metrics/tvl>, accessed 2026-10-16, 8:26 p.m. ET.

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