defactor

redefining business finance

White Paper

August 2021

Integration layer & tooling connecting business with Defi

Disclaimer

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Abstract

The worlds of traditional and decentralized finance are colliding.

In our ever-changing modern world, individual investors are being allowed access to more sophisticated financial products than ever before while large corporations and funds are losing their grip on the tech monopoly. A visible and paradigm-shifting financial revolution is underway.

In this climate, global business is suffering from an inefficient and inequitable allocation of financing that impedes growth and hinders development. On one hand, many financially sound businesses lack access to the financing they need for working capital. On the other hand, record-low interest rates have left investors with few options to understand and accept their own risk and take part in positive yielding investments.

More than ever before, there is a need for networks and applications to support businesses on their journey to decentralised finance. Networks must offer these businesses the tools they need to build reputation while helping them participate in the governance of their eco-systems. This is key for future growth.

What is Defactor?

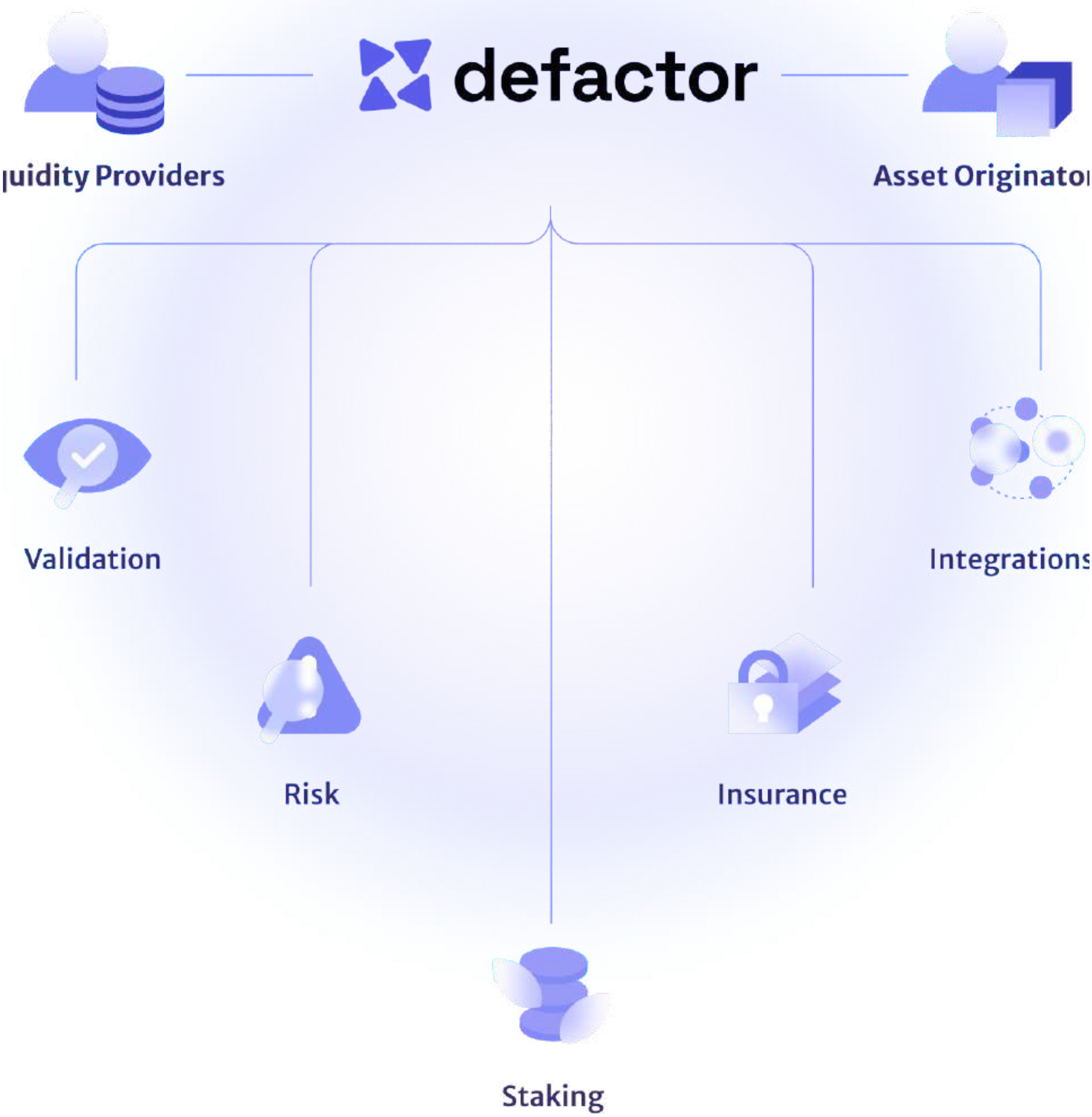
Defactor is the integration layer and tooling for traditional business to leverage Defi using the systems and processes which they are already using.

The platform provides the connectors and risk models for asset originators to be able to digitise their data in a way that they can easily plug into the finance which is available through the existing and emerging lending protocols.

Defactor is building the decentralised tools and components needed to enable a shift in how financing is conducted. Defactor is democratising access to capital and providing asset originators a platform to access the liquidity pools available on the blockchain. Defactor is providing a single point of access for asset originators that are seeking liquidity but don't have a technical infrastructure to "go-it-alone" and access crypto funding.

For our investors it provides one window onto a diverse range of deals that provide yield from real world assets, it opens additional channels to put their capital to work and gives them the tools to mitigate risk.   Defactor provides the transparency of underlying values in investments which hasn't been possible prior to blockchain adoption.

A key component of the Defactor protocol is an insurance for deals originated and processed through the system. A fixed margin of the transaction fees generated are allocated to the Insurance pool which will cover the loss of any late or non-payment of deals through the platform. Additionally asset originators on the Defactor platform will be able to reduce their cost of capital, improve payment terms and increase working capital by staking collateral on the network.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Asset Originatoı
Validation
Risk
Staking
Insurance
Integrations

Why Now?

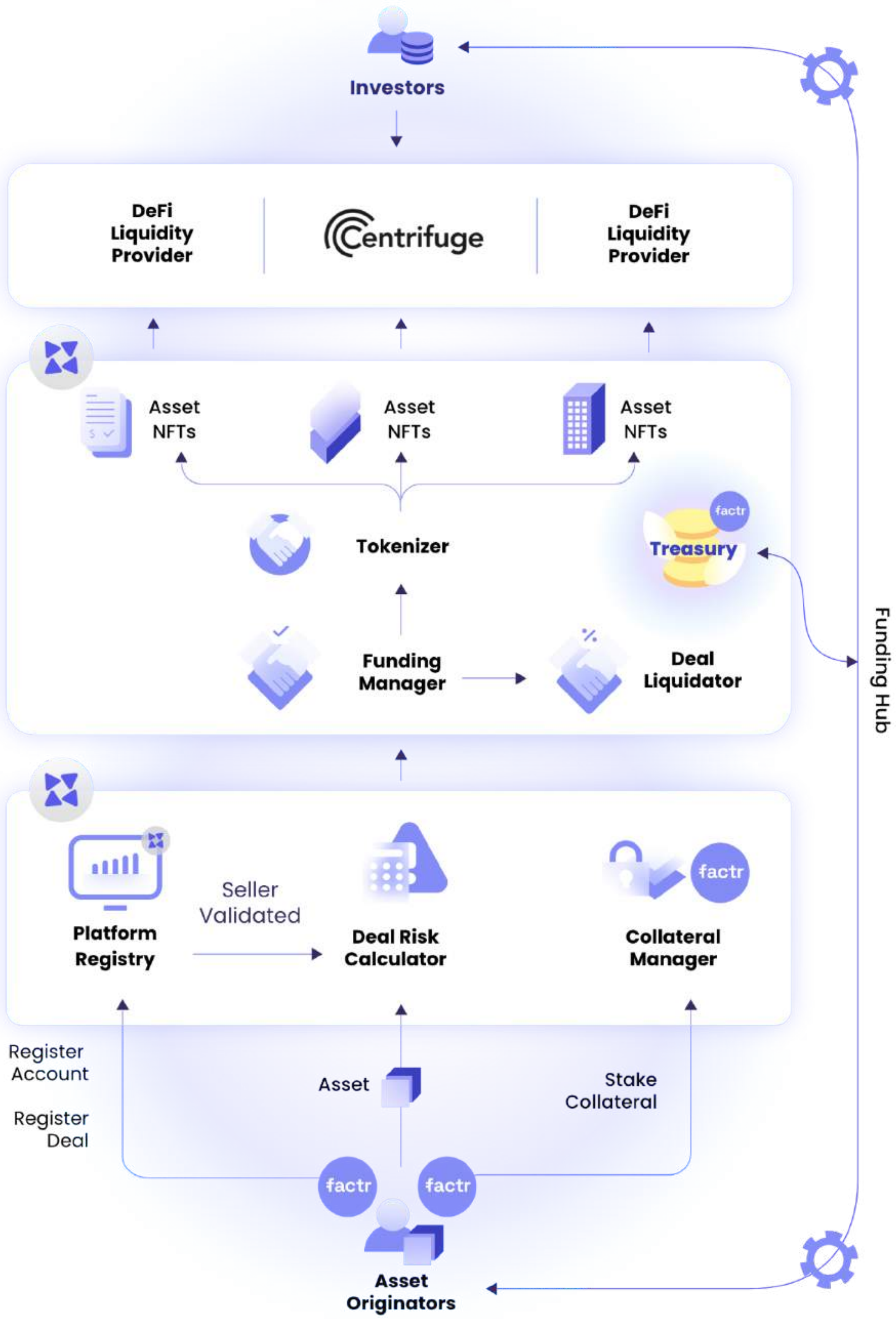
Decentralised finance is finally coming of age. As a result of this financial revolution, the appetite of investors to lend to businesses through this route has increased.

Asset managers, retail investors, businesses and deal makers are unfortunately struggling to access capital financing or raise liquidity through the traditional banking sector. At the same time, with interest rates so low, investors are unable to find a steady flow of deals that will enable them to earn yield on their capital.

There has been an explosion of complex yield farming products which move risk to the next participant. Decentralised finance needs more structured offerings at the base layer where capital is put to work in the real world and the yield provided is a function of the market opportunity and conditions. At the moment, there are more and more Real World Asset Originators (RWAO) trying to make use of the benefits of De-FI protocols. Unfortunately, these RWAO are finding that technical integration to these protocols is complex, requires specialist knowledge and the overall cost of access to the market is in itself a drain on resources. As such most RWAOs are forced to use manual methods to manage transactions and move payments through the system which is both expensive and inefficient and is a barrier to growth. Defactor will provide the technology to help RWAOs to digitise their DeFi operations, as well as the pathways and bridges needed to connect the players in these markets.

As a company, we have already partnered with asset originators in the P2P Lending and Trade Finance & Invoice Financing industries. We are currently working with them on both compliance and risk management. One of our partners in the project, ConsolFreight, has already worked closely with a number of platforms as early adopters. We know which tools are missing and how to roll this out at scale.

How Defactor Works



Key Components

1. **$FACTR Governance Token:** Empowers stakeholders to signal and support the operations of the ecosystem.
2. **Deal Tokeniser:** Network participants are required to stake $FACTR to operate on the network. Staking larger amounts may grant them preferential access to deals, and participants seeking a loan can also offer a $FACTR stake at risk to reduce the rates and fees which they are offered.
3. **Deal Manager:** An online portal and API for investors to view the deals available, including all costs and fees to participate, invest and track their investments. Advanced users will have the option to auto-invest based on a range of criteria that they define, including yield, concentration limits and asset type.
4. **Deal Liquidator:** A secondary market where investors will be able to release liquidity by trading their investments. This will also be used to liquidate any deals at risk of non-performance through a partner network.
5. **Deal Validator:** An analytics layer which provides access to proofs of existence for companies/business units. It includes tools to ensure that deals on the platform are valid and legally secure.
6. **Deal Risk Calculator:** An analytics scorecard of deals, including a risk weighted valuation showing what collateral and stake needs to be provided for funding.
7. **Defactor.network:** An online portal and API for originators which allows them to join the network, prove who they are and display their trading history. Deals on offer to network participants can also be found in this area.
8. **Defactor APIs:** The platform will provide asset originators access to liquidity via existing DeFi protocols such as Centrifuge, Aave, BlockFi
9. **Defactor.insure** - A closed insurance pool providing risk coverage on approved deals flowing through the defactor network.

Making Use of DeFi Tools

DeFi is at the heart of the Defactor ecosystem. The platform will integrate with current liquidity pools such as Uniswap and Centrifuge/Tinlake and will leverage the surge in Stablecoin usage, providing a transparent mechanism for investors to predict their return while guaranteeing deal makers a consistent source of liquidity.

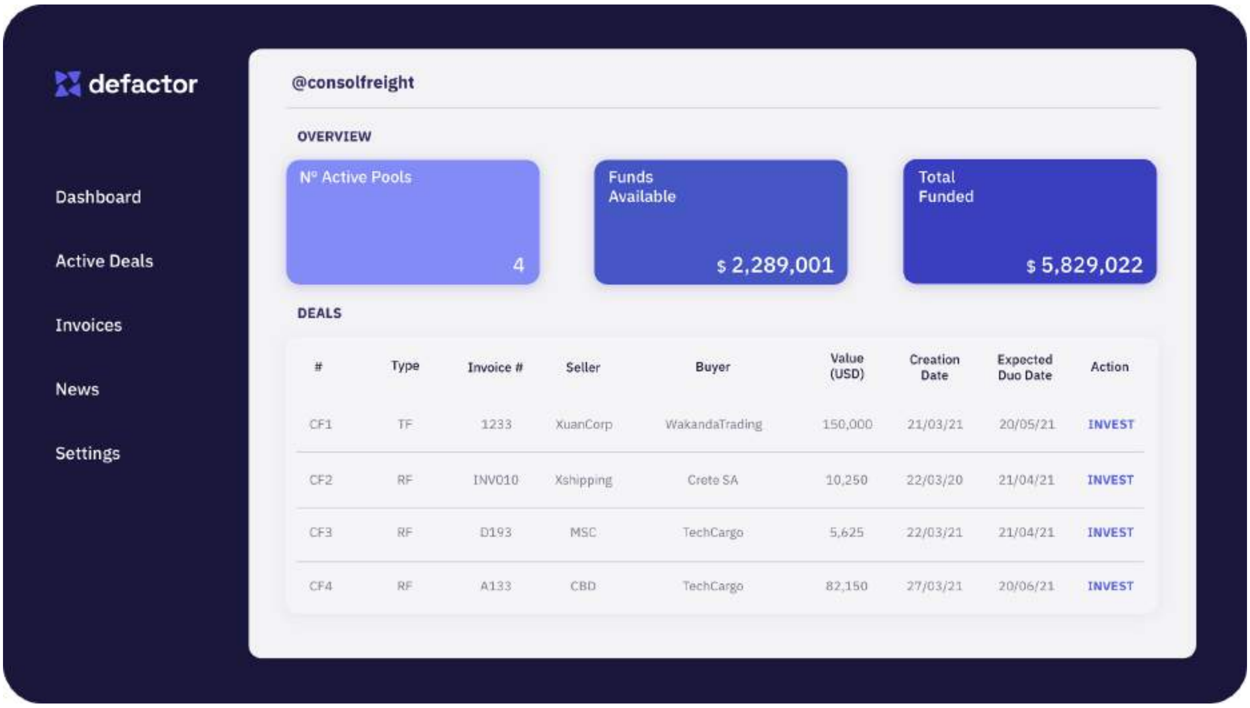
In addition, investors will be issued FACTR tokens for any investments made while asset originators will receive tokens for assets they have staked as collateral. Asset originators that provide consistent returns to investors will be rewarded with preferential terms and larger funding lines.

The User Pathway

Defactor offers a way for users to opt into a way to validate and prove who they are and what they will be doing. Traditional KYC and AML checks are possible and once verified these will be available to the network as a zero knowledge proof check that they have passed these checks.

The Originator will enter in basic information regarding the financing required including proof of ownership, the amount of funding required and the period of the loan. The platform will then determine the risk score of the deal and calculate the level of collateral that the Asset Originator must place onto the network. The risk score will take into account a number of factors including any previous successful funding deals, outstanding debt on the platform, the type of asset, LTV etc.

Once the Asset Originator has placed the appropriate collateral onto the platform the network will tokenize the deal and open the deal for investment for a given period of time. Investors will pledge their crypto in the form of USDT into the pool and this will be locked in until the deal closes. Investors will be issued with deal tokens which can then be stranded on a secondary market for the duration of the deal.

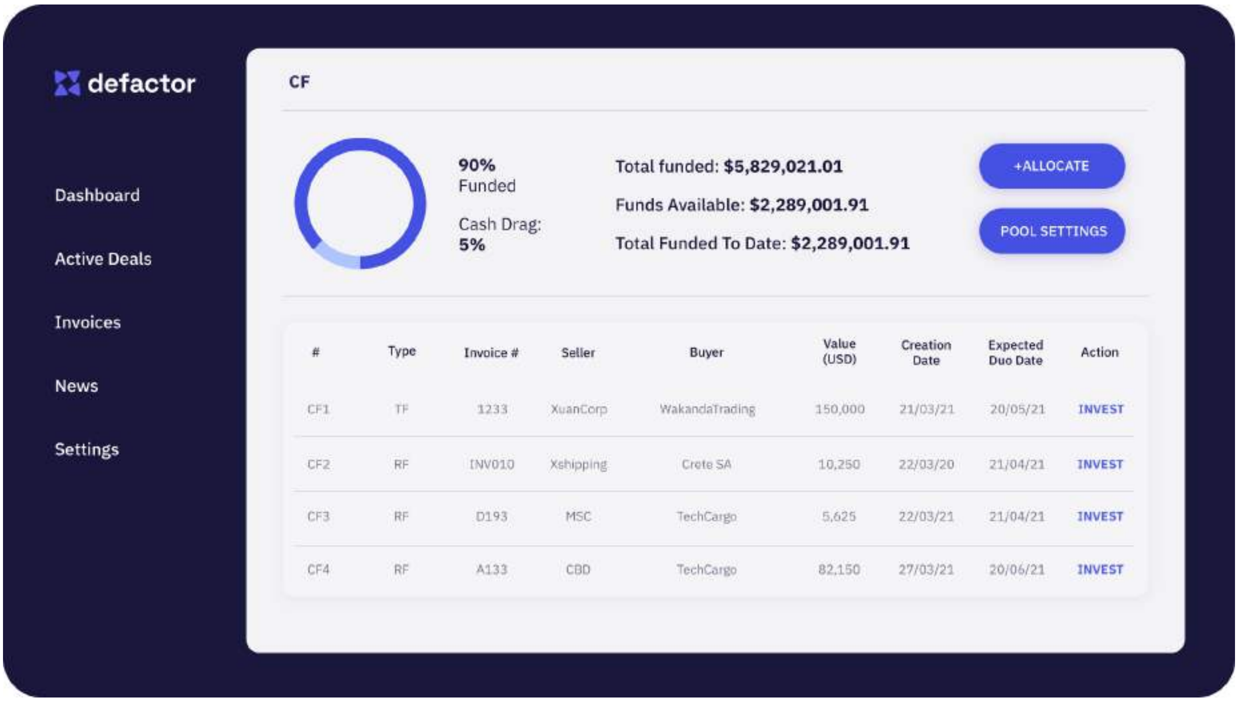


Investors will be given full access to all documentation uploaded onto the platform by the Asset Originator and will be presented with the Defactor risk score for the deal. FACTR tokens will be issued on successful financing of each deal to both the investors and Asset Originators. Asset Originators will also earn tokens as their repayments are made and then can stake these tokens in order to increase the amount of money provided to them via the network.

Example Asset Originators

Asset Originators can be private individuals, businesses, asset managers, or any legal person or entity that has a real world asset they wish to obtain financing for. The Defactor Network has active deals with a number of asset originators, and here are three examples of ready-to-launch deals:

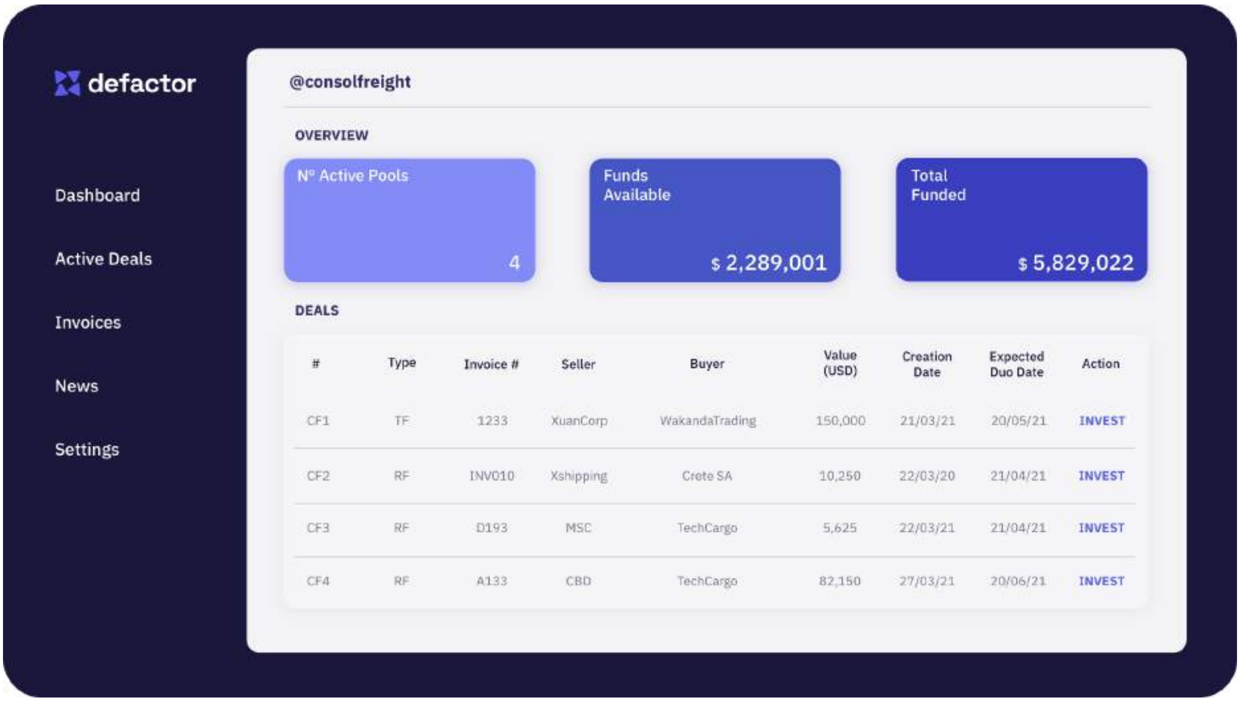
Example 1 : Trade Finance Provider



A company providing trade finance to operators currently has over €5M in available invoices for funding. The company is able to group the underlying invoices (assets for sale) into pools based on the invoice term. The pools will be placed onto the Defactor platform where investors can see the invoice terms, freight forwarder, end client, and the funding terms.

The invoices will be financed at a percentage of their face value with the remainder being paid when the end client has made the payment. Both the company seeking funding and the underlying invoice asset have been verified by the trade finance company. Defactor investors would be putting money into a fund that covers only a portion of the asset value and would receive a return once the invoices have been paid.

Example 2: Loans Provider



A company providing loans to postgraduate students is seeking additional financing in order to expand the number of loans that can be financed through their platform. The company is able to pool the loans based on the school or university to be attended, as well as the term of the loan.

All students seeking funding are taken through a detailed onboarding process that includes a credit risk assessment. All loans are also monitored closely for repayment, and the platform is able to provide monthly feedback on all transactions. Investors on Defactor will be placing their money into a fixed term investment pool that will provide a fixed return.

Technology

Defactor aim to abstract away all underlying blockchains & protocols to provide its users with a suite of SaaS tools to manage their business processes and operations.

We use the latest and most performant technologies to solve the problems of its network. The current roadmap includes support and integration with protocols such as; Ethereum, Binance Smart Chain, Polkadot, Algorand, NEO, EOSIO and NEAR.

Our mission is to provide a simple interface which will remove complexity for our users and give Defi protocols a seamless bridge to integrate into Defactor.

NFTs

Assets, such as invoices, will be tokenized as Non-Fungible Tokens. These tokenized assets will be of a standard where they can be locked as collateral on all major blockchain networks.

This gives our originators a front door to access Defi, with Defactor handling all complex bridging and integrations with participating platforms.

Tokenomics

- **$FACTR**
- **Defactor Governance Token**
- **Fixed Supply: (300 Million)**

$FACTR is the governance token of the Defactor network which allows token holders to signal and support the operations of the ecosystem and delegate powers to its participants.

FACTR holders can choose to be either active or passive and have the ability to propose changes. All holders can vote on active proposals, but changes proposed and implemented must be in compliance with the networks operating jurisdictions.

The types of proposals which can be put forward may include:

- Changes to the digitisation process
- Adding/removing chosen cryptocurrencies from the platform
- Changes to yield limits
- Additions and changes to the DeFi Launchpad
- Changes to risk/credit worthiness calculation metrics (‘CCM’)

$FACTR will ultimately allow for the transition of control from the Defactor Foundation to the token holders, which will all be controlled by the staking mechanics where participants are rewarded for taking part and contributing to the network.

Token Model

Defactor will employ a buyback and burn token model. For the first few years, tokens will be distributed via generous staking rewards and other ecosystem incentives. As the system matures and initial staking rewards run out, the system will begin buying back tokens from exchanges and removing them from circulation. This is to give token holders an added incentive to hold the FACTR token.

A 0.25% commission on transactions executed on Defactor will be used to fund buybacks, redistributions, and burns.

Staking

During the initial scaling phase, Defactor will run a deficit.

The staking rewards are delivered from a dedicated time-locked reserve. As Defactor begins to generate a surplus, these staking rewards will be bought on the open market, providing liquidity and demand for the FACTR token.

Stable Coins

There has been a massive growth in the use of Stable Coins for trade. Defactor aims to support all major liquid stable coins now and into the future.

All payments and settlements on Defactor will be at a Fiat Equivalent rate.

Governance

Community

A key success factor of Defactor is the effective governance of the network that works for the long-term interests of its stakeholders.

$FACTR holders' participation will follow a *signal and support* methodology where holders will have the ability to signal their support or objection to key policies and proposals. They will also have the collective power to remove support and funding from any organisational unit through a managed and intuitive system.

The objective is lean agile governance founded on a core set of principles.

- Open source first
- Compliance
- Transparency

Security & Audit

In order to ensure the security and safety of users, the Defactor team will perform a comprehensive security audit prior to launch. As well as allowing the public to examine the contract code, there will be several code audits and bug bounties on the contracts. All audit results and post mortem actions will be made publicly visible.

Defactor Foundation

The Defactor Foundation has been established as a registered separate legal entity under the Seychelles Foundations Act 2009 as amended by the Foundations (Amendment) Act 2011 (together the “Act”).

The Act strikes an effective balance between sound regulation and market attractiveness.

Defactor Foundation will own 100% of the shares and will be directed on how to operate by the signal and support of the community using the governance token $FACTR.