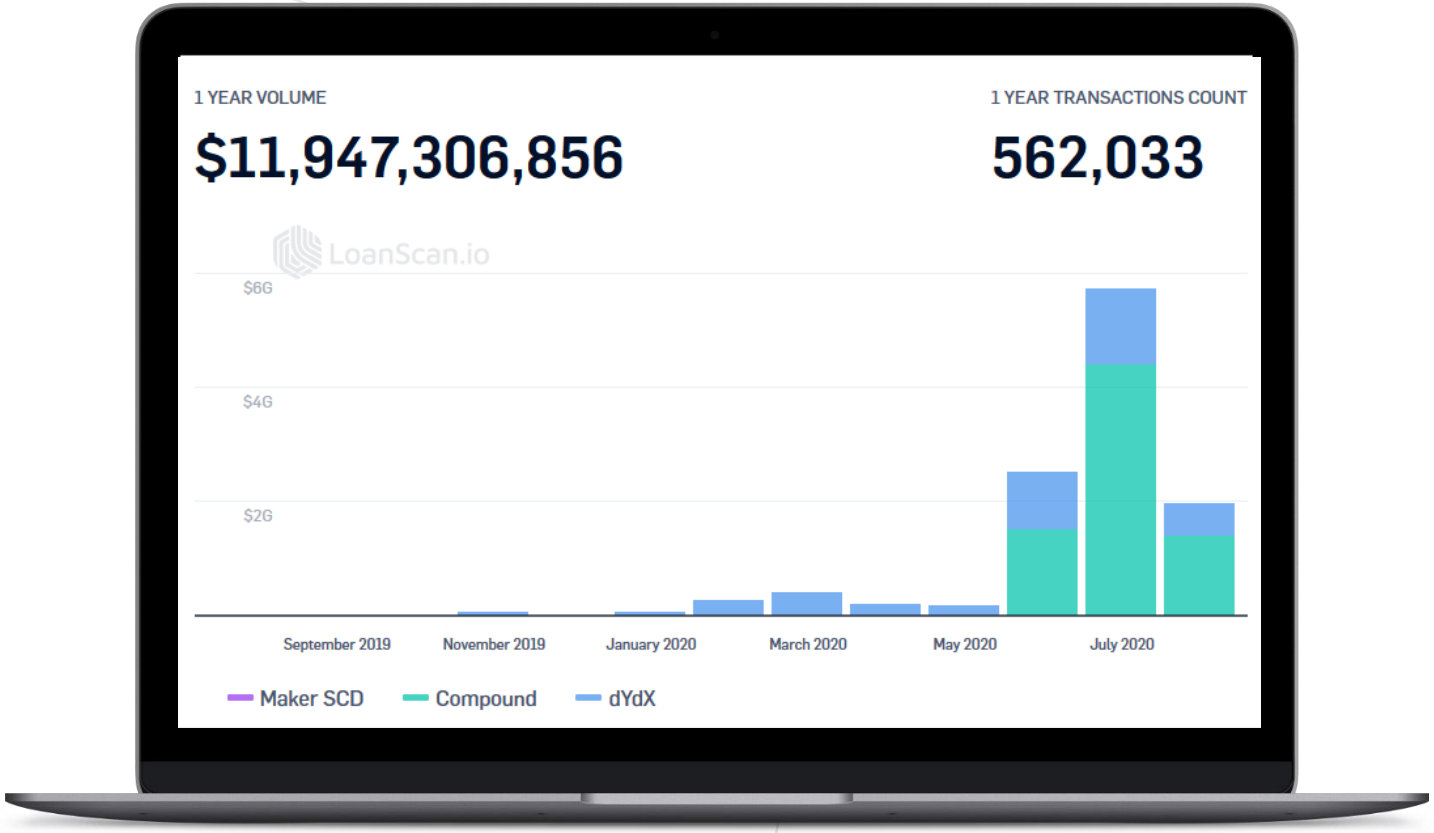
# SmartCredit.io

Take back control over your money

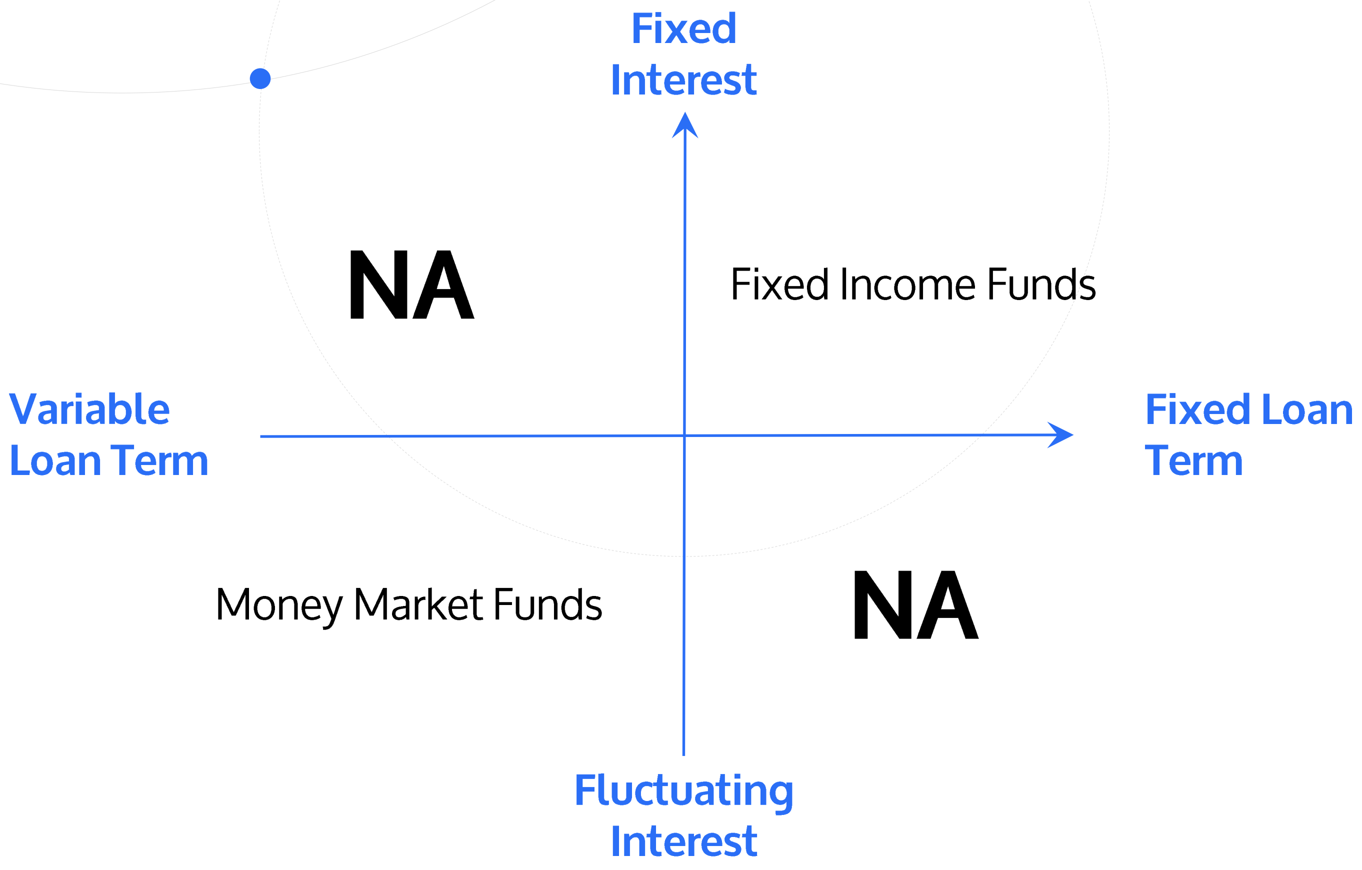
DeFi Crypto Lending + Crypto Credit Score + DeFi Fixed Income Funds

# DeFi Lending - Market Size and Growth

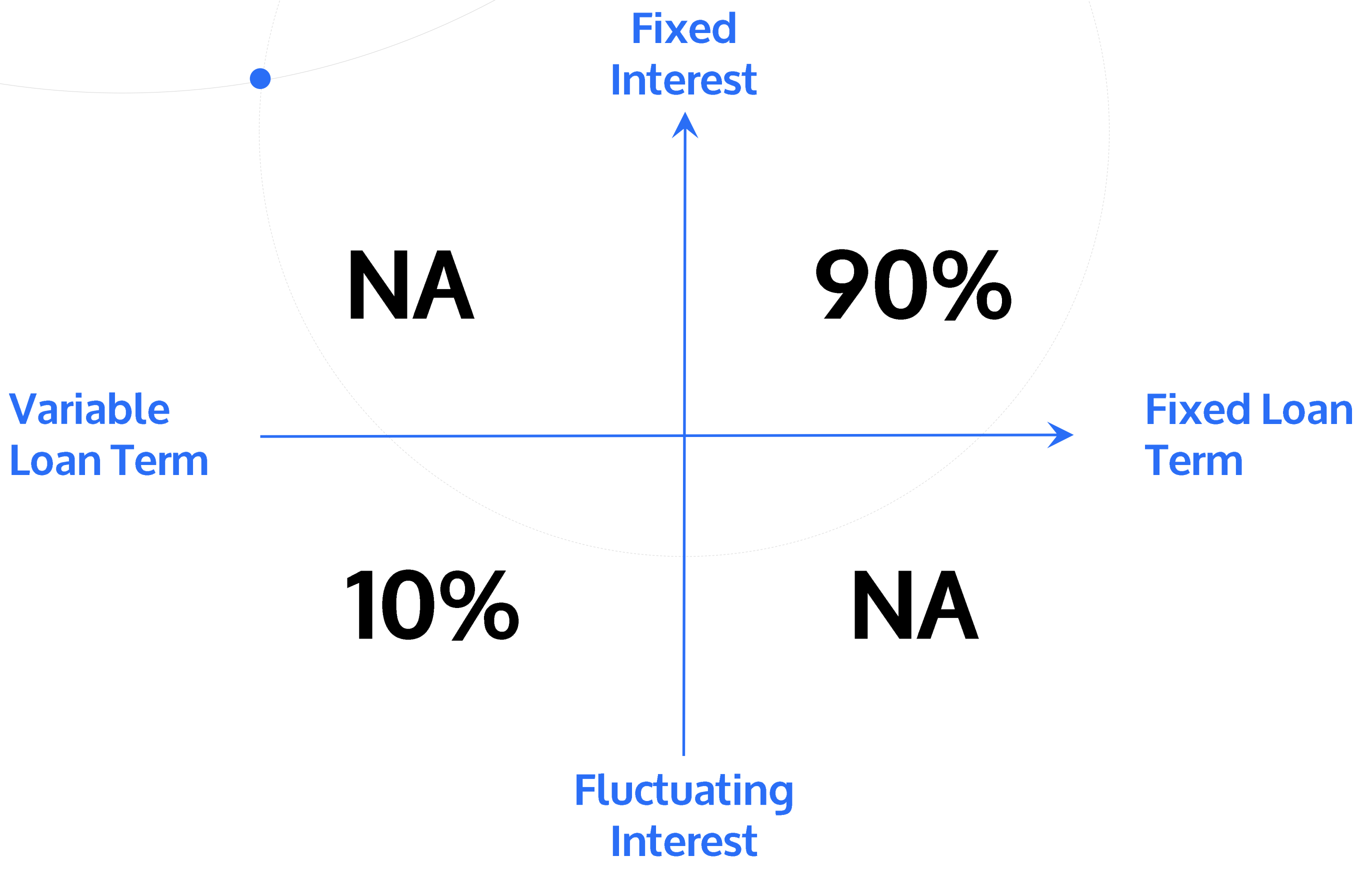



14.08.2019 – 13.08.2020 Source: loanscan.io

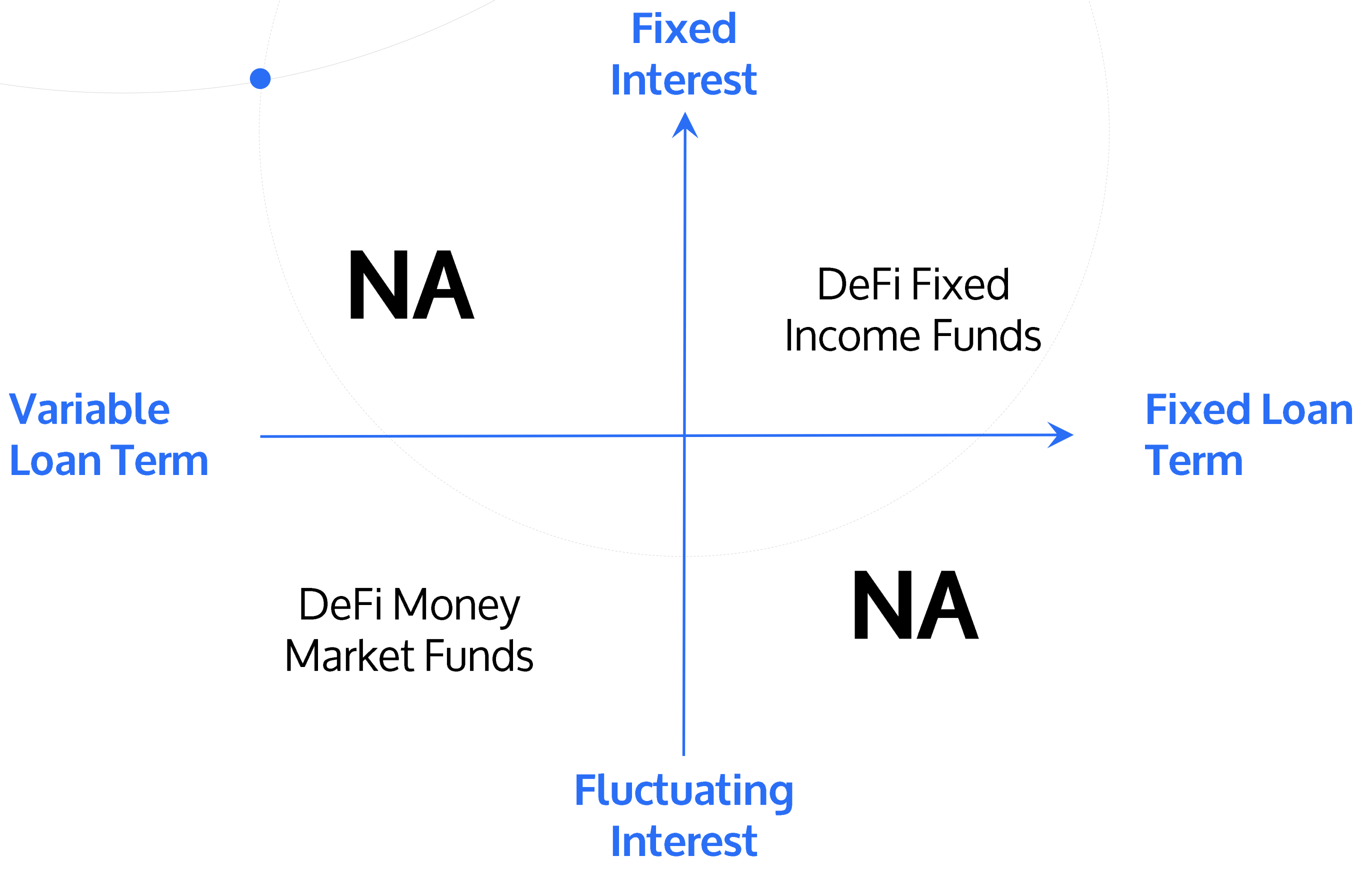
# Problem - Variable or Fixed Loans ?



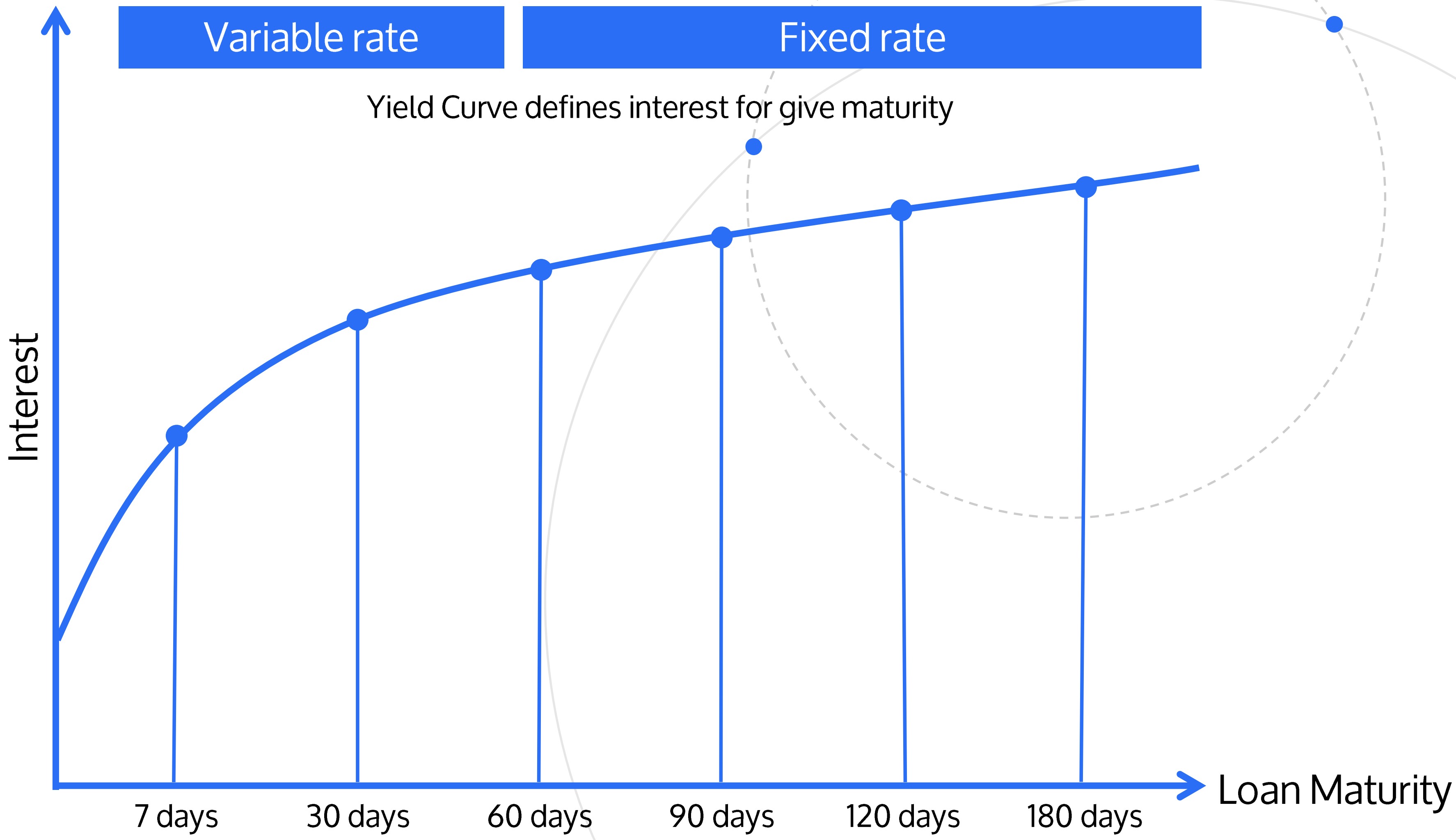
# Problem - Variable or Fixed Loans ?



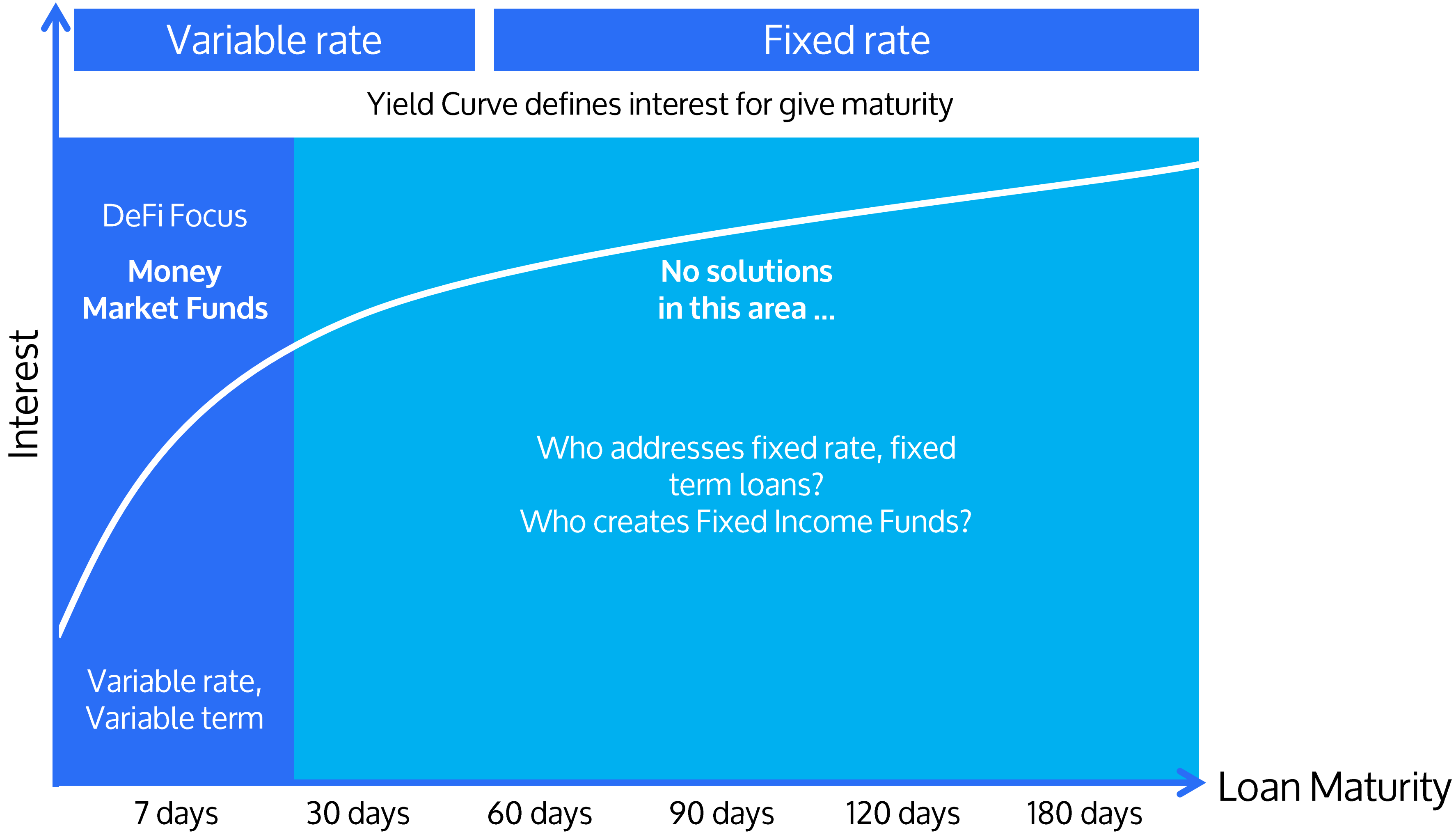
# Problem - White elephant in the kitchen



# Problem - Fixed Income is based on Yield Curve



# Problem - DeFi and Fixed Income Yield Curve



# Problem - Issues with DeFi lending now

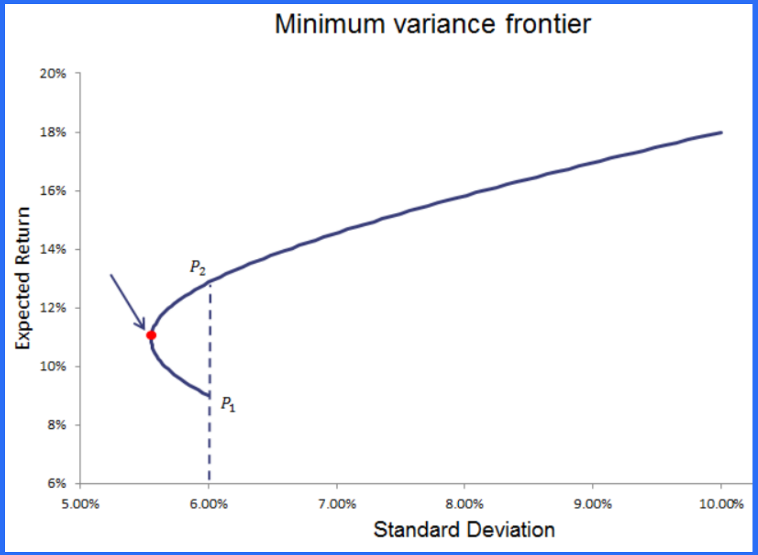
DeFi Money
Market Funds

High collateral ratio because of
variable loan duration

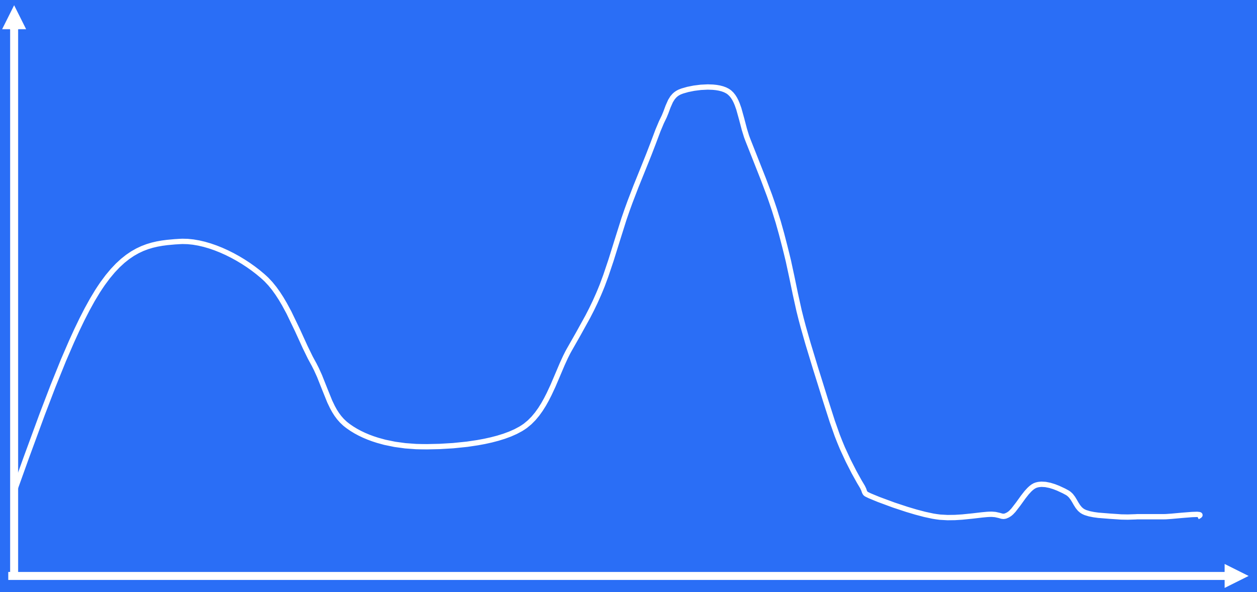
Regulatory challenges
because of asset pooling

# Problem - Missing opportunities

Not possible to earn optimal return by combining different maturities (no portfolio)




High interest rate fluctuations



# Opportunity – Fixed Term + Fixed Income Funds

01. Fixed Income Funds

02. Fixed interest loans

03. Fixed term loans

04. Low collateral ratio

05. Regulatory compliance

# Solution – How does it work?

Credit Transferability
(liquidity on demand)

2-Click Consumer Credit
(credit on demand)

Fixed Income Funds for Investors
(income on demand)

Credit As A Service
(integration on demand)

# Solution – How does it work?

**Loan Widget**

SmartCredit.io App

Loan Orderbook

**Fixed Income Fund Widget**

SmartCredit.io App

# Borrowers need Low Collateral + Integration!

| Company | SmartCredit.io | DeFi Solutions | Custodial Solutions |
|---|---|---|---|
| Low collateral | Yes | - | - |
| Transferability of loans | Yes | Yes | - |
| User controls his assets | Yes | Yes | - |
| API for integration | Yes | - | - |
| Credit Score | Yes | - | - |
| Personal Fixed Income Fund | Yes | - | - |

| Company | Valuation of tokens | Valuation of Equity |
|---|---|---|
| Celsius (Custodial) | 102 mUSD | 150 mUSD |
| Compund (DeFi) | 463 mUSD | - |
| Aave (DeFi) | 417 mUSD | - |
| Nexo (Custodial) | 107 mUSD | - |

# Benefits for the users

## 01. Borrower

- Low collateral ratio
- Wide choice of collateral
- No fluctuating interest rate

## 02. Lenders

- Better return via Personal Fixed Income Funds
- No fluctuating interest rate

## 03. Partners

- Earn revenues on loan origination

# Business Model

## 0.5% Fee

From every transaction

Growth via

# Integration via API & Widgets:

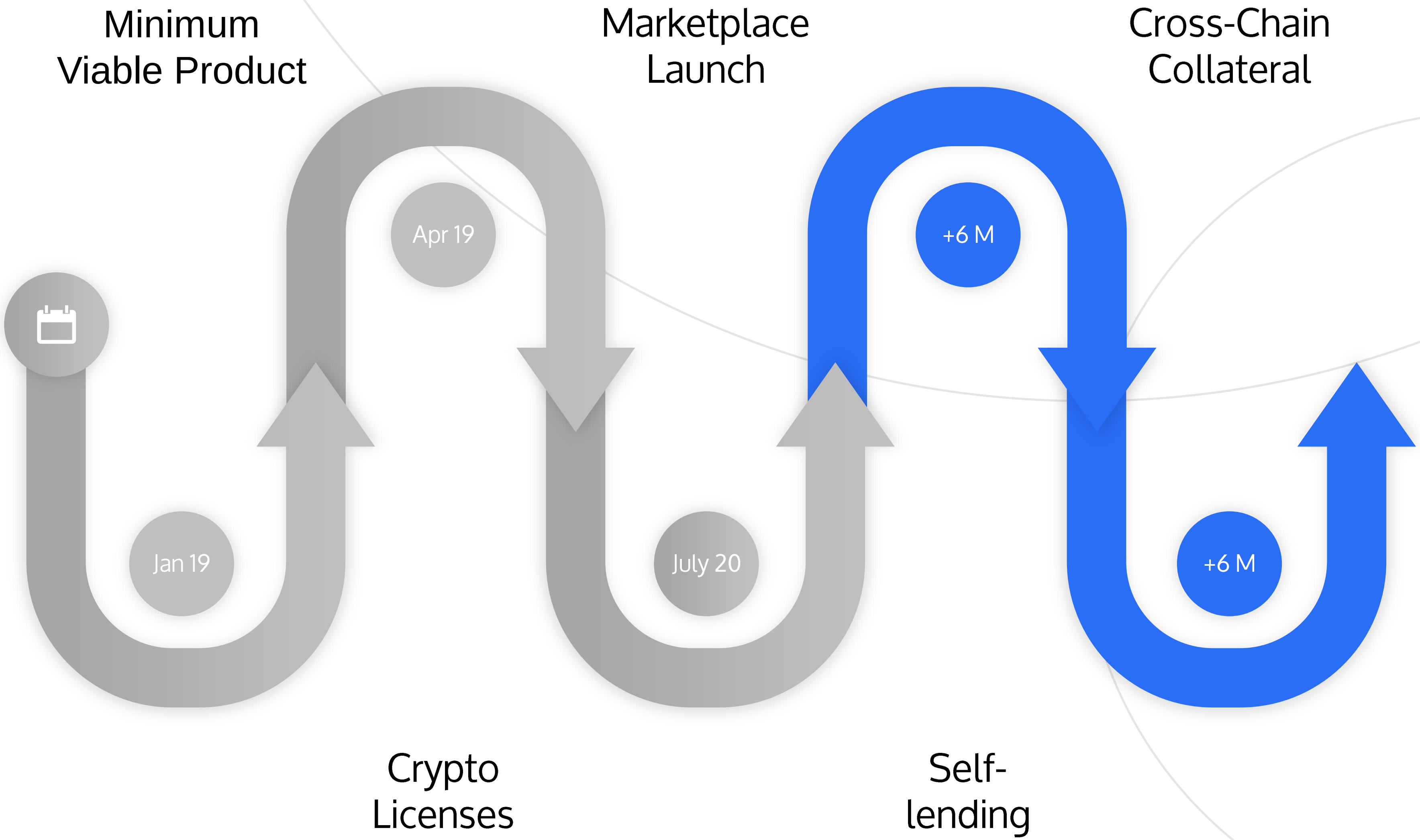
**01.** Crypto Wallets

**02.** Crypto Exchanges

**03.** Crypto Payment Providers

**04.** Crypto Online merchants

# ROAD MAP


Minimum Viable Product
Marketplace Launch
Cross-Chain Collateral
Jan 19
Apr 19
July 20
+6 M
+6 M
Crypto Licenses
Self-lending

# Founders

## Martin Ploom

CEO

- 10 years VP of Credit Suisse
- Launched 4 successful software products with 250’000+ users
- 3 masters degrees + EMBA + CFA

## Tarmo Ploom

CTO, Ph.D.

- 10 years Credit Suisse
- Distinguished IT Architect (OpenGroup)
- 3 masters degrees + Ph.D. + MBA + CFA + CAIA

# Advisors

Bitcoin Foundation

CREDIT SUISSE

## Daniel Burgwinkel

- Ph.D
- Former dept head for Credit Suisse, wrote thesis on digital contracts & law before bitcoin whitepaper

## Bodo Näf

- Ph.D.
- 10 years VP Credit Suisse private banking

## John Matonis

- Founding director of the Bitcoin Foundation

## Asse Sauga

- Founding director of Bitcoin Foundation Estonia

# Our Ask

Previous funding

**$250’000**

Upcoming round

**$500’000**

Convertible or Equity + IEO tokens (min ticket size $25’000)

**Cash Flow Positive**

# The Usage

**40%**

Sales Talent Acquisition

**30%**

Product Development

**30%**

Marketing

Round closing

**October 2020**

# Investors Return – 5 years

| Parameter | Value (USD) |
|---|---|
| Investments | 500'000 |
| Discounted CF | 900'000 |
| Terminal Value | 46'590'000 |
| Discounted TV | 18'725'000 |
| Company Valuation | 19'625'000 |
| Investors Share | 3'826'000 |
| Investors return | 665% |
| Investors yearly return | 50% |

# Questions & Answers

**Q:** Compound and Aave money market funds should be enough? Why do we need  crypto fixed income funds?
**A:** Money market funds are only a part of traditional fixed income. Money market funds imply fluctuating interest rates and herd movements, when market participates reinforce their mutual actions. Crypto fixed income funds give access to full yield curve, they offer better return on risk (sharpe ratio) by combining different loan maturities and money market funds.

**Q:** What's the point of defi fixed income fund?
**A:** Fixed income fund combines different maturities – money market funds, 7-30 day, 31-90 day, 91-180 day maturities. Every user can define how he would allocate his assets – these are personal fixed income funds. Mixing different loan maturities results in better return/risk ratio (standard portfolio management theory) compared to the money market fund only.

**Q:** Why are compound and Aave not offering fixed income funds?
**A:** For implementing the fixed income funds one needs transferability of the loans. Compound and aave have implemented this with the asset pools. Lenders receive the pool ownership tokens. Using the same approach for fixed income funds, would require to create pools for 7, 8, 9, 10, …  180 day maturities. This is just not feasible – transferability of loans cannot be implemented via the pooling approach.

**Q:** What's the alternative to the asset pooling?
**A:** Pooling has regulatory side effect – from 50+ users the pool is an investment contract, meaning pool operator needs a investment fund manager license and pool needs a fund license. The alternative is to use the makerdao approach, with no asset pooling but with P2P transactions only. That's what smartcredit.Io is doing as well.

# Questions & Answers

**Q:** I can earn passive income by providing liquidity to the pools, why should I use your fixed income funds?
**A:** Indeed, a user can invest his funds into the liquidity pools and earn liquidity fees for this. However, one should think on this like a market making. Market making is not only offering the pool of assets, market making means as well managing and hedging the market makers positions (which is not offered by the liquidity pools). If everything is working fine, then liquidity providers earn the fees. However, liquidity providers are exposed to the tail risk – if they loose, they loose a lot. It's like writing put options – one will earn good till unexpected event happens.

**Q:** Why does fixed income fund have a better return/risk combination than other defi lending strategies?
**A:** Fixed income funds combine bonds (transferable loans) of different maturities. The standard portfolio management theory implies, that by combining different assets we do earn better return/risk reward, then by using only a single assets (money market fund).

**Q:** What makes you to think that fixed income funds are required in defi?
**A:** Fixed income is a very old discipline. The yield curve as a concept has existed for 5'000 years. There is variable interest rate (fluctuating interest rate) and there is fixed interest rate (non-fluctuating interest rate). The later one protects both borrowers and lenders from the interest rate volatility. We think both these concepts get implemented in the defi – variable rate funds (money market funds) and fixed income funds.

# Questions & Answers

**Q:** Derivatives will have more users than fixed income funds.
**A:** The derivatives volume in traditional finance is 10x of fixed income. However, defi derivatives business will require highly professional traders. Let's face it – perhaps 1% of defi users know how to use derivatives. Probably even less know how to develop derivatives trading strategies. However, fixed income funds are much more mainstream than then derivatives.

**Q:** Asset management solutions will have more users than fixed income funds.
**A:** We fully agree with this statement. It's just that the asset management funds will need underlying assets, where to invest for the optimal return/risk ratio (sharpe ratio). Money market funds (compound, aave) or defi tokens are not enough – one will need as well exposure to different fixed term maturities. Therefore the asset management solutions will need fixed income funds first.

**Q:** Asset pooling is a good concept.
**A:** Definitively it's a good concept and there are regulations for it. Declaring something open source doesn't remove these regulations – pooling retail client assets and offering return to the pool is an investment contract and a regulated activity. Pool operator will need a fund manager licence and the fund has to be a registered investment fund. As most of defi solutions are using asset pools and not the P2P logic, then regulators might come after them.

# Thank YOU!

Martin Ploom

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