

Decentralized Credit Union with behavioral RM and segmentation ODDs engine

Client segmentation according to the ODDs

Imagine a world where all assets are tokenized, including your reputation and potential. A world where your reputation and potential matter to get access to financing and not the size of your business. And a DAO where members share their financial and business wisdom to support each other business.

And Why ODDs?

We cannot and don't want to control people's behavior but we can statistically predict it.

Our typical user

There are 2 types of users we want to serve -small and medium entrepreneurs with seasonal business and SMEs with capital intensive business. **Both users have a need for capital to do their business and they are not being served well by traditional financial institutions.**

And there are 2 user personas for which this solution is being built:

1. Electric bike rental shop in NYC
2. Play-to-earn gamer

Electric bike rental shop in NYC.

Nobody is biking during the winter in the central park, but there are not enough bikes during the summer. Large players such as Lyft entering the market and pushing mom and pop shops out of the market. Lyft, due to its large and diversified portfolio, can take money from one business to another, therefore their money works 365 days a year. But that's not the same for SMEs, they have only one shop. So how they can compete?

We want to bring the same access to capital for SMEs, thus their capital works 365 days a year as well. In this example, our approach enables SMEs to put their capital to work while they are earning during the busy season and taking from it out of the season.

How ODDs solution helps to create this product?

We want to be the enabler, not the product, we want to bring the information about the user and the need to the platforms that can serve the user based on this information. Currently, the majority of the platforms offer generic products for everyone, we want to enable customized products to serve the specific segment of the customers.

Play-to-earn gamer

Gaming is the first business in metaverse and it's becoming very capital intensive for new gamers (entrepreneurs). Our solution enables those new entrepreneurs to start or scale up their businesses. ODDs solution can provide information about entrepreneurs' potential and reputation to the lending platforms, which can provide financing to buy necessary capital (NFTs).

On top of the user information, ODDs solution also helps with onboarding those NFTs as collateral by evaluating its risk profile.

Introducing a new ODDs engine

A mechanism that learns from your past actions determines your potential, getting answers for questions such as:

1. Are you confident that you know how to manage your personal credit cards and overdrafts?
2. How long have you been managing your business?
3. How confident are you that you will sustain your growth?
4. Have you had a loan before?
5. Are you punctilious and have you been paying your bills on time?

That seems almost like a credit score but it's much more, as we are considering what you are doing for others as well:

1. Are you part of any business association or informal business group?

2. In what capacity have you been contributing to that group?
3. Has your contribution been recognized by other members and what was the achievement?

And if you have done a bad decision, you have a chance to learn from it, not to be banned from financing forever:

1. Have you discussed your situation with more experienced folks and gotten their advice?
2. Could you share how have you learned from that situation and how would you do it differently next time?

We cannot guarantee that the financing gets repaid but based on those factors we can calculate the ODDs that the borrower will do everything to repay the loan and has the potential to earn grow their business enough to be able to repay the loan as well.

How does that information gets gathered?

Our first key assumption is that behind every wallet is a person ("user"), with individual behavior which is the key to determining the ODDs. We gather the information from 2 main sources:

1. User
2. Publicly available data
3. DAO opinions

User as a source is used only during the initial onboarding. We ask the user a set of open and close-ended questions. This combination of questions ensures that we can determine well clients' behavior towards willingness and the possibility to repay the loan, e.g. reputation and potential.

Publicly available data can be gathered from on-chain and off-chain sources. For on-chain sources, we use a 3rd party service providers who give us information about the client, based on their transaction history. Typically we would like to know, what type of assets and products they have, and how long they are holding to it, as well as if there

have been any suspicious transactions. One of the additional checks we included is to see if users have been involved in a similar situation as the Compound accidental token distribution and what they have done with those funds. A good decision can really increase a user's reputation.

DAO members which are in the same area of business or have similar experience provides an opinion on the business model presented by the user. They are voting on how confident they are that the plan will be successful and if there are any points for improvement. The outcome of this evaluation is ODDs score for business in its current state and ODDs score if the improvement plan gets executed.

And all those ODDs get combined into a final reputation ODDs and potential ODDs score.

How do the ODDs get calculated?

Key considerations:

1. Behind every wallet or business is a person.
 - a. Behavioral assessment is a key to managing risk in new opportunities
2. Every user is driven by incentives.
 - a. Incentives need to be in place to define the good outcome
3. Short terms gains could seem more appealing than long-term prosperity.
 - a. Cannot rely on long-term incentives only and need to implement security/risk measures in place as well.

Reputation ODDs

The behavioral score determines how likely the user would do everything to pay back. We believe that this score is the more important one to support a sustainable business environment, as we want to support good actors to grow their business. This score is calculated out of these data sources:

1. Behavioral questionnaire
2. Wallet history
3. Reputation NFTs (POAPs)

4. Referrals and guarantees
5. DAO contributions

Behavioral questionnaire

Combination of open and close-ended questions to determine the intentions for the financing. The same type of questionnaires is used very often in marketing and HR to determine customer or employee behavior. We have not invented those but adjusted them to fit our purpose.

There is a set of questions combined into 12 sets of questionnaires used during the year, each is used approximately 60 non-consecutive days. After a period of one year the 6 least-performing questionnaires, incl. low performing questions and combinations are sunset and the top 6 are used to create a new set of questionnaires for the next calendar year.

The number of questions and questionnaires is planned to be increasing with new use cases and a higher volume of users.

Wallet history

In the beginning, the solution accepts one wallet address for the reputation check and uses 3rd party solution to get the best possible outcome. The transactions will be checked for:

- Type of assets held in the wallet and turnaround time,
- Type and number of DeFi products used, if any of those positions have been liquidated in that past, and why.
- What chains have been used
- Extraordinary transactions (givebacks, exploits, etc.)

As a future improvement, the solution will accept multiple wallet addresses and check that they belong to the same user or set of users who are part of the same business. This should enable better options for business with multiple shareholders.

Reputation NFTs (POAPs)

This can be considered as part of wallet history, but by its importance, it is a separate category for the ODDs calculation. This category requires integration with reputation

NFTs issuers to confirm the validity and value of the NFT. ODDs DAO members decide what issuers are accepted and integrated into the ODDs calculation engine. As part of the integration, each NFT is categorized and valued by DAO members.

Referrals and guarantees

Family, friends, and business partners know the best if they can rely on that particular person and what they are able to achieve, therefore this information is very critical for determining final ODDs.

DAO contributions

The reputation is measured based on what a person has done for others, and we want to reward any contribution to the community by providing better financing options for those users. If a user provides support to other businesses or makes guarantees to other businesses their ODDs increase. That's how DAO members are incentivized to be active in the community.

Potential ODDs

After determining the intention to pay back, potential ODDs calculate the probability that the business will generate enough revenue to pay back. This score is driven rather by abilities than behavior and is calculated from these sources:

1. Experience and skills
2. Available tokenized collateral and not-tokenized collateral
3. Business history and industry forecast
4. Referrals and DAO members opinions

Experience and skills

As part of initial onboarding, users will be asked several questions to determine their experience and skills level. LinkedIn integration can be considered, however, we don't want to limit users which don't have their online profiles. As this part will be relying very much on user honesty the level of reliability will be based on the reputation score. With no reputation score user's skills and experience, won't be counted.

Available tokenized collateral and not-tokenized collateral

User can prove their potential by presenting what they have already accomplished and what assets they gained. This is not limited to the tokens but we want users to upload any collateral they have at their disposal. In the first version of the solution, the real-world assets cannot be used as loan collateral, although the existence of those assets and high reputation score can be a great indication for the lender.

Business history and industry forecast

Proving a successful business history can be a great indication of future success. In combination with the industry forecast, it's a great enhancement for the ODDs score. In case the entrepreneur has no history or not that great history there is more reliance on the referrals and DAO members' opinions.

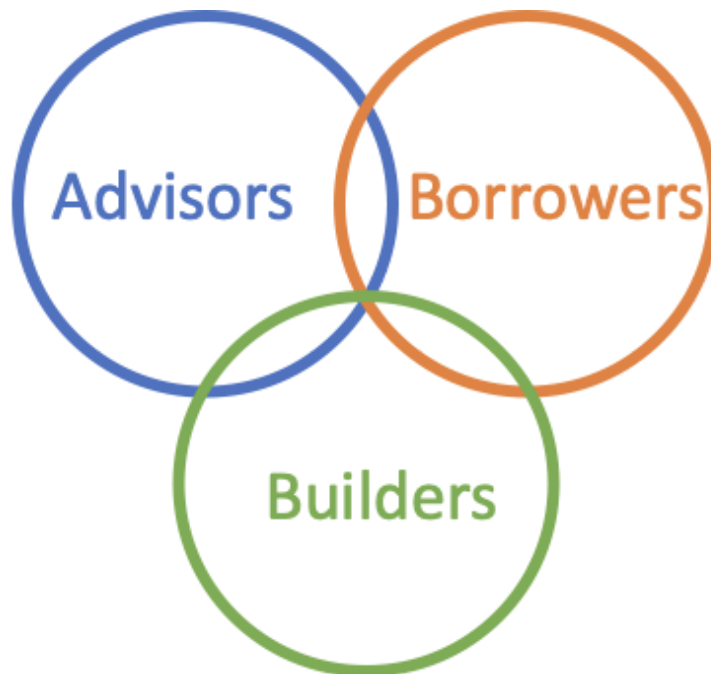
Referrals and DAO members opinions

ODDs solution enhances current DeFi solutions with statistics of behavior. An important aspect to determine behavior is input from the closest community, family, friends, business, or industry colleagues. These opinions are gathered through the DAO which is incentivizing by increasing reputation ODDs to help other members shape their business models.

Role of the DAO

A large-scale fully decentralized and transparent credit union with economic incentives to help other businesses to grow and succeed.

There are 3 types of roles that are not mutually exclusive:

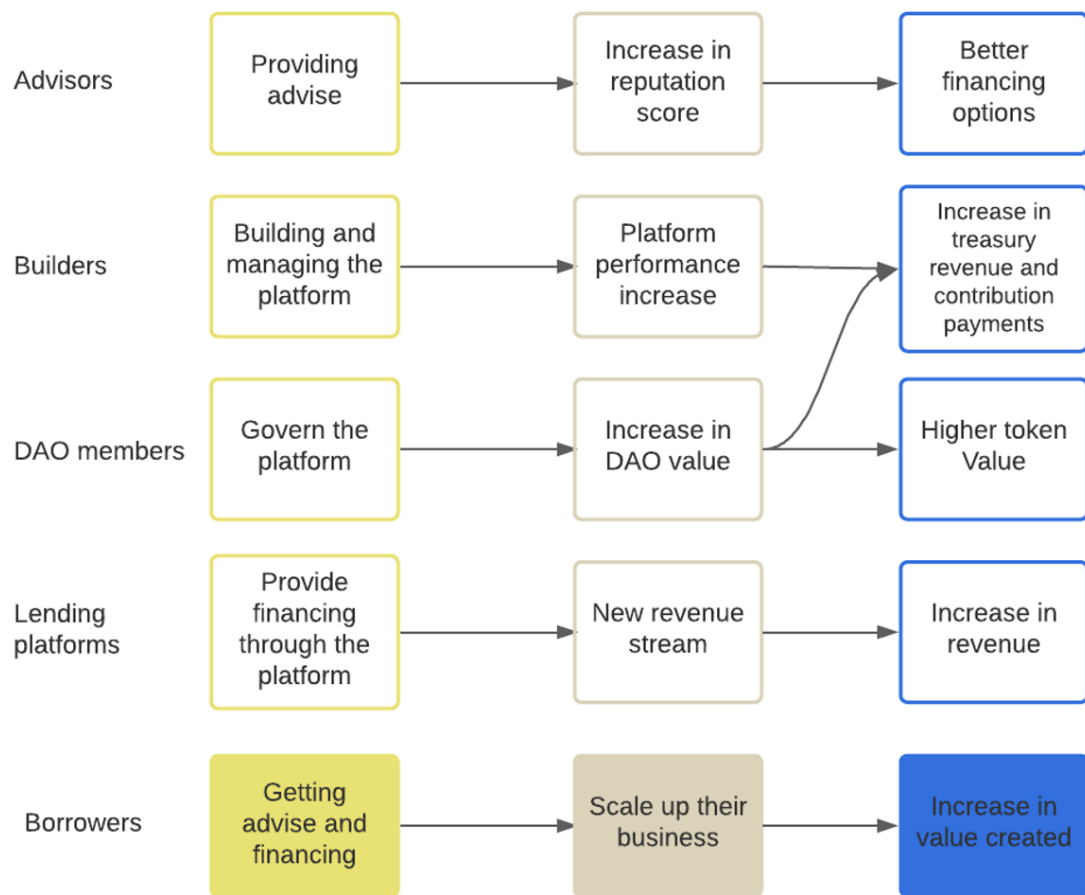


Advisors are critical members of the community and they have multiple options on how to contribute. They can provide opinions on borrowers' business models and financial needs to help them access the financing, but also identify flaws in those models and suggest points for improvements. Those opinions are critical to calculating potential ODDs. They can also act as guarantors which increases the reputation score for the borrower. Or they can suggest improvements and adjustments into ODDs calculation and future roadmap. All the involvement is rewarded by getting a higher reputation ODDs, therefore better financing options.

Borrowers are the customers of the platform asking for help with their business in terms of financing and advice. They can also provide feedback if the platform does not serve well their particular needs.

Builders are part of the operation and development team. They gather all the feedback from the advisors and borrowers to continuously manage and improve the platform. They are paid out of treasury based on the performance of the platform.

Economic incentives



Copy of A phased approach is evolving around market progression

Phase	Market	ODDs	Typical customer	How ODDs helps	Role of DAO
<u>MVP - Hackathon</u>	DeFi 1.0, first sign of metaverse and new economy, but still very separate from real world	ODDs mechanism to gave a wallet, representing a entrepreneur or business, a starting point to get	Electric bikes rental shop in NYC, whose business is very seasonal and capital intensive. They earn majority of their income during the warm	Introducing and ODDs that represent a customer profile and financial need, helps the lending platform create a product to serve those users efficiently.	DAO structure is drafted, limited only for direct contributors to the solution at the moment.

<u>Aa</u> Phase	≡ Market	≡ ODDs	≡ Typical customer	≡ How ODDs helps	≡ Role of DAO
		better financing. Gathering on-chain and off-chain data, including behavioral questionnaire to confirm existence of the business and calculate reputation ODDs and potential ODDs. This calculation will be off-chain at the moment.	months and needs to keep very expansive inventory up and running whole year.	In this phase, the ODDs help with the seasonality of the business. ODDs provide information about the need/seasonality, the existence of the business, and the potential ODDs and reputation ODDs. The lending platform provides a product that helps to cross the period with low income, put money in the platform in the time when there is excess to be able to get money out when is the need, with some level of guarantee.	

<u>Aa</u> Phase	≡ Market	≡ ODDs	≡ Typical customer	≡ How ODDs helps	≡ Role of DAO
<u>MVP - 1.1</u>		ODDS token to be issued as non-transferable NFT and that can be integrate with current lending platforms as a tool to offer tailor-made financing options.	Same	Same	With integration to the platform, including lending platforms into the DAO will be considered.

Aa Phase	≡ Market	≡ ODDs	≡ Typical customer	≡ How ODDs helps	≡ Role of DAO
<u>MVP - 1.2</u>		Introducing referral and guarantor program - current users can vouch for their affiliated business to both get extra ODDs	Another entrepreneur and friend of Electric Rental Bike store rental	Reputation is important in risk profiling and who can provide better information than friends or family of current users. And why they would do it? Because they earn a reputation as well by helping others.	DAO is extended to include lenders and borrowers as stakeholders, the purpose is to create a place where entrepreneurs can help each other manage their finances and get access to capital. Those will be some of the aspects: referrals, guarantees, product reviews, business model evaluations. All of those social aspects and interactions will be integrated into ODDs calculation.

<u>Aa</u> Phase	≡ Market	≡ ODDs	≡ Typical customer	≡ How ODDs helps	≡ Role of DAO
<u>POAP version</u>	On-chain reputation is evolving and users are gathering different type of NFTs to prove their participation, donation and other activities on chain. Its becoming part of our identity	ODDs engine integrates with those NFTs to improve ODDs calculation. This is valuable data source and it strengthen the economic incentives of being a good actor	Financial services provider	The reputation NFT space become very complex and ODDs integrate all of those data points to issue one single trusted token. Financial services providers can use that to build products for specific segments. This means better services for the users	DAO members evaluate what reputation tokens should be included into the calculation of ODDs.
<u>DeFi 2.0 version</u>	Any asset can be used as collateral, level of composability is growing.	ODDs engine add collateral risk as an input for individual calculation and as an output for aggregated user groups	DeFi 2.0 platforms to manage their risk and introduce targeted incentives	ODDs token integration helps with determining collateral risk. Every pool or fuse is governed by people, by knowing who is involved the risk can be determined. Vice versa that information can be used to calculate individual ODDs.	DAO members act as advisors for new type of collateral to be onboarded.

Aa Phase	≡ Market	≡ ODDs	≡ Typical customer	≡ How ODDs helps	≡ Role of DAO
<u>Metaverse version</u>	New business popping up in metaverse, they all have their assets fully tokenized, but they still have a need to get financing. One of the examples can be play to earn games, which is becoming capital intensive business with need for financing to start or expand the business.	ODDs integrates with those data sources and test market dynamics to introduce new models which calculate the reputation ODDs and potential ODDs. On top of that ODDs is evaluation the collateral reputation ODDs, that will hold a value and potential ODDs how likely this NFT will bring revenue.	Play to earn gamer - Start entrepreneurship as a gamer is capital intensive and need help at the beginning, but it's also very rewarding if the gamer is successful, we want to support this emerging market. and we believe this is only the first business happening in metaverse	Metaverse or real-world, behind every wallet is a person and ODDs is the best tool to evaluate how likely the financing will be returned. Can help to define new product lines for metaverse and provide client segmentation based on the ODDs	The membership is extended to other type of entrepreneurs, but the mission stays the same, the members helps each other to succeed in business.

MVP scope

For MVP, users should be able to get onboarded onto the platform, receive ODDs score, and insert the financial need which can be shared with lending protocols. This on its own can gather valuable insight from the users and start shaping the future of DeFi products.

