WHY A HYBRID BETWEEN DEFI AND FINTECH?

Let’s first outline DeFi and fintech appropriately.

The DeFi market has around 100 competitors operating . A few trailblazers like Maker DAO , Compound, and Synthetix dominate the current market if you consider the funds locked into their platforms. These top firms make up more than three-quarters of the entire market.

Institutional investors have been interested in the sector since 2019, and this has intensified in 2020 with the creation of the Chicago DeFi alliance , including notable projects like 0x, Kyber Network , and Aave. Projects like these have also seen exponential growth in relatively short spaces of time.

However , the field faces several challenges. Firstly, DeFi projects (Bzx, Dforce, Synthetix , Lendf, and many others) have suffered from attacks, taking advantage of leveraged trading as well as more direct methods like hacking of important cryptocurrency wallets.

This reflects the large number of resources needed for audits, reviewing of code, and regular patches/updates to products. It also highlights the experimental nature of this technology and the risk involved in the integration of various projects, stablecoins, synthetic derivatives, etc.

Furthermore, the level of systemic risk remains unclear and this may grow as projects continue to integrate and build/layer on top of one another.

Practicality remains an issue. Leveraged trading /yield farming and financial derivatives may be useful, but they are hardly accessible to people, even to cryptocurrency holders.

A good illustration of this point is provided by looking at high-quality dapps like Augur, which are cutting edge but have seen very little usage or adoption.

Such points taught us a valuable lesson as to the correct way in which to proceed with our strategy.

Now, fintech is urgently needed in South America , particularly in places like Brazil. These are places with millions of small businesses, but which suffer from a serious drought of competitive financial solutions.

The few lenders in the market can abuse their dominant position and greatly damage the potential that small businesses have. They make it impossible for people to invest in themselves.

In the early stages, SAVE will offer financial services like collateral-backed loans at the most competitive rates possible. The range of services will naturally expand over time, as mentioned later.

Not only will this have a transformative effect on people's lives, but it will also provide the crucial foundations to progress further.

Progressing further means utilizing and partnering with our established client base for social and economic success.

It will allow us to build a community while simultaneously generating revenue streams and working on prototypes for our DeFi ambitions. In other words, by the time our DeFi project is released, it will have real-world usage; tested and used by businesses and individuals already familiar with our principles and aims. The vision of a decentralized marketplace with meaningful financial interactions comes closer into sight.

This will have extremely positive results for governance, in a world where projects have voting turnouts below 10%. We do not wish to aggressively pay money to speculators to generate artificial engagement and hype, as some in DeFi have done. If key actors are linked not just by a common cryptocurrency, but through their day-to-day financial needs, the possibilities are virtually unlimited.

And finally, a hybrid model gives us flexibility; an ability to experiment and empower individuals and groups while not being forced to squeeze revenues at the cost of everything else. We, the people, will truly be able to decide what happens next.

INTRODUCTION

Our main client base, small businesses, are the backbone of economies. Brazil particularly has millions of small businesses with a strong instinct for innovation.

Yet, infrastructure and financial services are full of complications and difficulties.

Firstly, businesses must suffer through an immense amount of bureaucracy. Just setting up one takes 90 days, and once started there is a lack of support from institutions.

If these first hurdles are overcome, many businesses need to worry about obtaining investment through loans. The cost of doing so is extortionate; in the worst cases, interest rates can reach hundreds of percent yearly.

The ultimate tragedy is that people cannot invest in themselves.

They end up paying monthly fees just to own a bank account. All this is unacceptable when you consider that Brazil is one of the most unequal societies on the planet.

The coronavirus pandemic has only intensified existing problems in the region. Brazilian business sentiment has halved[1] and bankruptcy filings have spiked[2].

Businesses urgently need access to cheap credit as well as to finance initiatives and programs.

SaveToken has the power to change things, and our team's many years of experience in the sector will supplement this.

We will provide loans with the most competitive interest rates in Brazil.

This will empower individuals and businesses, allowing them to begin their ascension toward success. These solutions will be combined with other valuable opportunities, including business consultancy, training opportunities, and active interaction with our network and potential investors. Programs for education will be subsidized or gifted too.

We look forward to building SaveToken from the bottom up, and we hope you join us on this journey.

COLLATERAL- BACKED LOANS

For loans, our process is simple. The borrower puts up collateral. They are then given a collateralization ratio, which depends on their credit history and other factors like income.

For example, with a 50% collateralization ratio, you can borrow money equivalent to half the value of the collateral offered.

Only certain forms of collateral will be accepted, mainly vehicles and property, although we can accept some stable assets (e.g. DAI). Recent scandals[3] have shown the importance of diligence in this regard.

A clear advantage of SaveToken is the competitiveness of the interest rates offered. Our clients and our work have demonstrated this.

The lowest rates offered to borrowers such as small businesses by commercial banks are 4 % monthly. That is an unreasonable forty-eight percent a year.

These banks are also more likely to discriminate and to have bureaucratic processes that many are unfamiliar and uncomfortable with.

A few fintech services do exist, charging a minimum of 18% annually in interest rates, but payments like these are still unpalatable for far too many entrepreneurs . They are also not able to provide services in many regions of the country.

SaveToken goes one step further and offers clients a rate of 8.4%[4] annually, which is less than half the best market price.

Another advantage of using SaveToken is our accessible, business-friendly nature. Forty-five million people are unbanked in Brazil, and so financial literacy levels may not be as high as in other countries. Our loan process, unlike others, is simple and consists of three steps.

First, the client submits a few basic documents such as personal identification, as well as proof of income and address. A physical or virtual meeting to discuss their needs can also be arranged.

Within just two business days, the details are verified. Subsequently, an offer for a loan is formally made by SaveToken via our website and in written form.

Once the offer is accepted, the client receives the first installment of their loan by the end of the week. Decision making on rates will be made by our team, using our algorithms and proprietary technology.

To protect the client, we will ensure several safeguards are in place, such as reasonable grace periods.

Our business model differs greatly from competitors. Most fintech companies and commercial banks lend directly to clients, either using their funds or those of depositors.

We decided from the very beginning to avoid this. It puts unnecessary financial risks on SaveToken and could lead to unhealthy power dynamics between project members and the wider community.

Expanding on this, the last thing SaveToken wants is to become a glorified bank, or to have perverse incentives which encourage increasing rates for clients to make higher profits.

Such mistakes will only create rifts, conflicts of interest, and importantly contradict our goals for greater financial freedom.

Instead, external lenders place their funds with SaveToken. Then, we pool these funds together and offer clients various interest rates for loans. The lenders are given an agreed upon annual return (typically 6% + inflation) in return for giving us liquidity.

Third parties can, therefore, contribute to our ecosystem while making secure returns for themselves. Once they have claimed their yearly dividend, they are free to withdraw this plus their initial deposit or to reinvest for the following year.

SaveToken’s profit comes from the difference, or margin, between the interest rate we pay out to lenders and the interest rate we offer to businesses. The described modus operandi puts little to no limit to the amounts that can be lent out if investors are on board. For other organizations, the amount of money under their control is a limiting factor.

In this way, SaveToken maintains its independence from external forces and leaves plenty of room for decentralization in the future, in the way described earlier.

One promising avenue to explore would be decentralizing in a similar way to Uniswap and its liquidity pools. Lenders would be able to purchase a blockchain contract representing a fixed return, and the lent funds could be distributed in a stable cryptocurrency.

This would allow anyone, anywhere, to benefit from SaveToken financial services and to have access to steady, reliable financing and investment opportunities.

As the project matures, we will create a mobile user interface to make access even more consistent.

MISCELLANEOUS

Before SaveToken offers collateral-backed loans, we will need to obtain a fintech license in Brazil. Our team has worked with companies to achieve this in the past, and this familiarity means we are aware of the procedures and costs involved. Thus, we have planned accordingly.

The remaining services we offer will make up a smaller portion of revenues, but they will enable SaveToken to build relationships and work more closely with our client base.

Business consultancy is another important service we offer. In countries like Brazil, institutional voids such as asymmetric information or financial illiteracy are considerable obstacles. In this environment, businesses want structure and will seek guidance on many different topics. By working with us, they will receive what they need at a reasonable price and additional benefits such as access to potential investors and integration into our community.

As with other elements of the project, incentives align in a way that encourages the adoption of our services.

Depending on the resources available to us, we could set up supplementary services. These include financial newsletters and social programs.

REFERENCES

1 - https://tradingeconomics.com/brazil/small-business-sentiment

2 - https://economia.uol.com.br/noticias/estadao-conteudo/2020/06/04/pedidos-de-falencia-no-brasil-sobem-30-em-maio-ante-abril-afirma-boa-vista.htm

3 - https://asia.nikkei.com/Spotlight/Caixin/Mystery-of-2bn-of-loans-backed-by-fake-gold-in-China

4 - All rates mentioned, both for SaveToken and third-parties are the “real” rates, effected by inflation.

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