



**LONG-TERM LOANS ON DEFI
CONTROLLED VOLATILITY AND LIQUIDATION**

WHITE PAPER

Intended for :
THE BLOCKCHAIN COMMUNITY

VERSION 0.7 - SEPT 2023



www.velta.org

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A. INTRODUCTION

1. WARNING / PRECAUTIONS / DISCLAIMERS

Dear Community,

Velta is a project committed to adhering to current regulations and laws. From the inception phase of our project, our aim has been to align with the protocols concerning the associated risks inherent to the blockchain and cryptocurrency realms. Our intent is to provide users with comprehensive information, mirroring the practices of established institutions in traditional finance.

Before delving into our White Paper, we want to emphasize the potential risks associated with our DeFi platform. While we have unwavering confidence in our vision and technology, it's crucial to recognize that investing in DeFi carries inherent risks. We urge you to meticulously review the risk disclosures that pertain to all DeFi platforms within the blockchain ecosystem.



Here are the outlined risks:

a) Digital Asset Volatility : Cryptocurrencies and other digital assets are renowned for their volatile nature. Prices can swing significantly in brief periods, potentially resulting in substantial financial setbacks. It's crucial to brace yourself for potential fluctuations in the value of your investments. Remember, past performance doesn't necessarily dictate future outcomes, and losses can be both partial and total.

b) Security Concerns : Security stands as a paramount issue within the DeFi landscape. While we dedicate extensive efforts to fortify our platform's security, inherent risks persist, including hacker intrusions, security lapses, and smart contract oversights. Although we employ rigorous security audits and cutting-edge protections, it's vital to acknowledge these lingering vulnerabilities.

c) Liquidity Challenges : Liquidity levels within DeFi protocols can be unpredictable. Reduced liquidity on the platform may hinder swift trade executions or trigger price erosions. Stay cognizant of this potential risk and its potential ramifications on your transactions.

d) Regulatory Uncertainties: DeFi regulations are still in flux and can vary across jurisdictions. Alterations in regulatory landscapes could influence our platform's functionality and long-term sustainability. Stay alert to the ever-changing regulatory environment, as shifts could impact your investment strategy.

e) Counterparty Exposure : DeFi transactions introduce counterparty risks. For instance, defaults by borrowers could translate into losses for lenders. While we implement risk mitigation strategies, the potential for financial repercussions persists.

f) Technical Complexity : DeFi operates on intricate technologies like smart contracts and blockchains. While we endeavor to streamline user experience, navigating these technologies might pose challenges for novices. Missteps in platform utilization could culminate in errors and financial setbacks.

g) Over-Indebtedness Risks : We strongly advocate for borrowers to judiciously evaluate their borrowing capacity before seeking funds. It's prudent to seek counsel from financial experts to assess your borrowing limits relative to your income.

We want to underscore that the aforementioned list is not exhaustive, and it's imperative to conduct thorough research and seek guidance from financial professionals before committing to any investment.

Our dedication lies in fostering transparency and implementing measures to mitigate these risks. However, it's paramount that you comprehend the potential pitfalls before participating in our DeFi platform initiative.

Please be advised that the information presented here serves solely for informational purposes and should not be construed as financial counsel or investment advisories. Ultimately, you bear the responsibility for your investment choices and evaluating associated risks. This document holds no contractual obligations and may undergo revisions based on the project's evolution.

We remain readily available to address any inquiries and furnish you with the requisite information to facilitate a well-informed decision.



2. THE CORE TEAM



VINCENT KEM
PHOTOSOMPHOU

Chief Executive Officer

Accumulating nearly 18 years of experience in the financial and investment sector, ranging from Consultant to Director roles. Additionally served as a member of the executive committee at a leading French company in real estate and wealth investment. Conducted training for team members over 5 years on real estate and financial investments, taxation, and business development. Possesses expertise in structuring organizations and implementing operational processes.



HENRI
CAPELLE

Chief Legal Officer

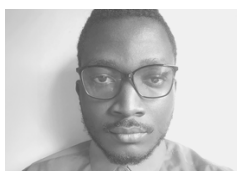
Nearly 20 years as a legal professional. Passed the Luxembourg bar exam (as lawyer). Specializes in commercial and corporate law, labor law, intellectual and industrial property law, and business law. Teaches labor law and anti-money laundering law at higher education institutions.



FREDERIC
NAGALINGUM

Operations Directors for Real Estate Transactions

Boasting over 19 years of experience in wealth management consultancy, both as an employee and an entrepreneur. I possess a keen focus on real estate investment and expertise in tax and asset optimization.



DANIEL
TCHAKOUNTE TOKA

Application Development Manager

Bringing 5 years of hands-on experience in application development. Proficient in network architecture, data analysis, Python, TypeScript, JavaScript, and Solidity. Skilled in database management.





3. A THINK TANK FOCUSING ON REAL-WORLD APPLICATIONS OF BLOCKCHAIN TECHNOLOGY.

VELTA operates as a cutting-edge blockchain research lab focused on crafting solutions tailored to real-world needs of everyday people. As champions of innovation and digital transformation, our mission centers on devising practical solutions that enhance daily living for all.

What sets VELTA apart is our commitment to demystifying intricate cryptographic technologies for the end-user. We're steadfast in our belief that the true essence of cryptocurrency and blockchain lies in addressing tangible challenges faced by individuals, businesses, and communities.

Our diverse team of innovators, developers, and blockchain experts collaboratively craft projects with genuine societal impact. We prioritize pivotal areas like financial systems, accessibility to financial services, and transitioning existing real-world operations into the digital sphere.

Harnessing the power of blockchain, our aim is to simplify routines for individuals, enterprises, and institutions alike.

In project development, our emphasis remains on user-centric design, simplicity, and functionality. We aspire to democratize cryptocurrency usage, ensuring its accessibility and intuitiveness for all. Through intuitive applications, user-friendly interfaces, and streamlined processes, we aim to pave the way for broader blockchain adoption.

VELTA is steadfast in its conviction that cryptocurrency and blockchain can catalyze transformative impacts, fostering trust in transactions and promoting financial inclusivity. We actively engage with strategic partners and industry mavens to cultivate a sustainable ecosystem rooted in security, transparency, and accountability.

Furthermore, we advocate for the regulatory oversight of the cryptocurrency realm, prioritizing user protection. We assert that such regulation should be forged collaboratively with key industry stakeholders rather than in isolation. Recognizing the evolving regulatory landscape, VELTA remains proactive, aiming to shape and champion regulatory advancements.





4. VELTA DEFI PLATFORM : THE DRIVING FORCE BEHIND OUR ECOSYSTEM

VELTA aims to emerge as the pivotal force behind a burgeoning dynamic ecosystem, designed to finance medium to long-term ventures for individuals, corporations, and institutions.

Our primary goal is to streamline financing access for a myriad of tangible projects, ranging from real estate acquisitions to financial backing in industrial sectors, sustainable development loans, renewable energy initiatives, research, innovation, and industrial equipment procurement.

Positioning itself as a facilitator, VELTA will introduce a transparent and direct DeFi ecosystem catering to both project leaders and investors. By sidestepping traditional intermediaries, we aim to streamline transactions, fostering efficient collaboration among stakeholders. Our DeFi platform will harness blockchain technology and smart contracts, ensuring security, transparency, and efficiency throughout the financing lifecycle.

Borrowers will encounter diverse financing avenues, while project leaders will enjoy an expedited route to secure the requisite financial backing for their initiatives.

Whether individuals seek to invest in real estate, companies pursue financing for specialized industrial sectors, or institutions aim to champion projects in sustainable development, renewable energies, and innovation, VELTA's ecosystem is poised to propel these endeavors forward.

Envisioning beyond mere financing, VELTA aspires to empower third parties to leverage its engine, catalyzing the inception of novel professions, business ventures, and economies.

Backed by a seasoned team of finance and blockchain aficionados, VELTA collaborates intimately with partners to ensure our ecosystem upholds rigorous standards of quality, sustainability, and prosperity.





5. VISION : LEVERAGING DEFI FOR REAL-WORLD NEEDS

VELTA is excited to introduce a groundbreaking innovation in DeFi (Decentralized Finance), addressing tangible real-world needs, notably in the realm of real estate acquisition—a fundamental human necessity. Our institution has diligently navigated the challenges intrinsic to this domain, crafting innovative solutions to facilitate long-term loans amidst the asset volatility risks.

While DeFi showcases numerous advantages, including speed, accessibility, and transparency, its application for extended projects like real estate procurement has been hindered by the pronounced volatility of digital collateral assets.

A predominant risk for borrowers revolves around the fluctuating value of the collateral they offer, susceptible to significant market-driven oscillations. Such volatility could trigger collateral liquidation, thereby exposing borrowers to substantial financial setbacks.

Recognizing these challenges, our institution has harnessed its expertise to surmount this obstacle, ensuring the viability of long-term DeFi loans despite asset volatility. Through avant-garde risk management strategies, we've curtailed borrowers' susceptibility to asset volatility.

Additionally, we've devised methodologies to counteract potential collateral value depreciation stemming from inflationary pressures. Leveraging sophisticated models and bespoke strategies, we safeguard collateral value over extended durations, fortifying loan stability and bolstering borrower confidence.

This monumental stride within the DeFi landscape paves the way for borrowers seeking extended loans for essential real estate acquisitions.

It's paramount to underscore that our institution ardently advocates for a conscientious approach to DeFi borrowing. We implore prospective borrowers to meticulously familiarize themselves with existing frameworks, associated risks, and contractual obligations prior to embarking on long-term commitments.

In summation, fortified by our expertise and unwavering dedication to responsible innovation, we take immense pride in proffering solutions that facilitate enduring DeFi loans, catering to paramount real-world needs, particularly real estate acquisitions.





B. PROBLEMS TO SOLVE WITH DEFI PLATFORMS

1. CURRENT DEFI ENVIRONMENT

Decentralized finance (DeFi) represents a groundbreaking fintech innovation that leverages distributed ledgers to facilitate financial transactions, bypassing the need for centralized institutions such as banks and traditional financial entities. Transactions within this ecosystem are meticulously recorded on a public, immutable ledger, negating the necessity for transactional fees typically associated with these institutions.

Armed with just a smartphone and internet connectivity, individuals can engage in borrowing, saving, lending, or trading cryptocurrencies without undergoing the KYC (Know Your Customer) process. This offers enhanced convenience, seamless integration, and heightened transparency—key hallmarks of the DeFi landscape.

The burgeoning DeFi ecosystem has catalyzed the inception of numerous cryptocurrency ventures. The surging demand is palpable; the industry, which burgeoned from \$11.78 billion in 2021, is projected to soar to an astounding \$231.19 billion by 2030—a staggering twentyfold increase. Nonetheless, it's worth noting that many DeFi platforms predominantly cater to short-term investment and speculative endeavors.

VELTA endeavors to recalibrate this narrative by aligning DeFi technology with tangible real-world applications, addressing the genuine needs of individuals and fostering meaningful contributions to everyday life.



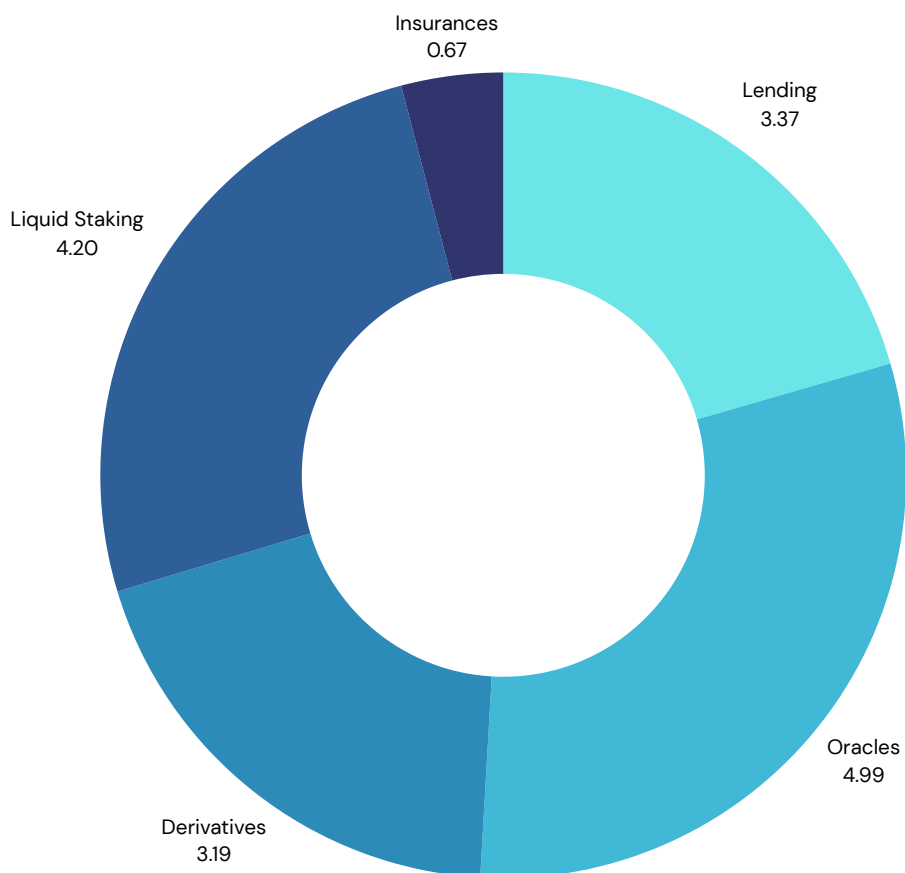
a) Overview of the DeFi platform market :

The DeFi platform landscape has witnessed substantial growth in recent times. Various projections indicate that the Total Value Locked (TVL) within DeFi protocols has surged to billions of dollars, underscoring the escalating interest in this innovative financial paradigm.

Moreover, there's been a noteworthy uptick in the number of active users engaging with these platforms.

During the first quarter of 2023*, the market capitalization of the Decentralized Finance (DeFi) sector experienced a notable uptick of 65.2%, translating to a staggering \$29.6 billion increase. This growth was predominantly fueled by the performance of DeFi governance tokens and advancements in liquid staking technologies.

Chart : Distribution of assets (in billions of \$) on DeFi protocols in Q1 2023



Source CoinGecko crypto report 2023

b) Key features of DeFi platforms :

- Decentralization : DeFi platforms function on public blockchain networks, guaranteeing utmost transparency and immutability. This setup empowers users with absolute control over their assets, eliminating the need to place trust in external entities.
- Interoperability : Engineered for seamless integration, DeFi platforms enable users to tap into diverse financial services without navigating through multiple accounts or protocols. This fosters efficiency and simplifies user experience.



- Smart Contracts : Central to DeFi platforms are smart contracts. Operating autonomously, they execute predetermined conditions, effectively mitigating risks associated with fraud or tampering.
- Liquidity : DeFi platforms frequently leverage liquidity pools, facilitating swift and seamless asset exchanges. These pools, funded by community users, ensure consistent and substantial liquidity.
- Varied Financial Offerings : DeFi platforms encompass a spectrum of financial services, including lending, borrowing, currency swaps, portfolio oversight, liquidity provisioning, derivatives, and more. Such breadth provides users with tailored solutions to meet individual requirements.

c) CEX vs. DEX :

Centralized exchanges (CEXs) are operated by private entities and offer a trading experience akin to traditional stock exchanges. They enable users to purchase and sell cryptocurrencies by depositing funds directly into the exchange's wallets. Designed with user-friendliness and robust customer support in mind, CEX platforms are often favored by individuals new to the cryptocurrency landscape.

However, utilizing centralized CEX platforms necessitates entrusting them with both asset security and personal data. This reliance can expose users to potential vulnerabilities like hacking, financial instability, and regulatory constraints—concerns that crypto enthusiasts often aim to circumvent by gravitating toward decentralized alternatives.

e) Limitations of CEXs :

- Necessity to divulge personal information to access full functionalities.
- Dependency on the platform for processing withdrawals, potentially leading to frozen assets for a variety of reasons.
- Persistent security vulnerabilities, as even leading CEXs have been susceptible to breaches resulting in customer fund losses.

In contrast, DEXs function without centralized oversight, leveraging smart contracts for peer-to-peer transactions. This framework empowers users with enhanced fund control and privacy assurances.

When transacting via a DEX, users retain possession of their assets rather than depositing them into exchange wallets. As integral components of the Decentralized Finance (DeFi) ecosystem, DEXs attract individuals valuing asset autonomy and confidentiality. However, they often entail a more intricate learning curve and generally exhibit reduced trading volumes compared to their centralized counterparts, potentially impacting liquidity for less-traded pairs.

The axiom "not your keys, not your coins" encapsulates an essential principle. While using a CEX may offer recovery avenues in case of account lockouts, losing a seed phrase (recovery phrase) with a DEX renders both the exchange and wallet incapable of assisting with fund retrieval. Given that asset control is paramount for many DeFi proponents, it's crucial to acknowledge and navigate the associated risks.



d) Benefits of centralized CEX platforms :

- Provides a diverse array of trading tools and offerings, including derivatives trading, options trading, and staking. Platforms regularly update their products to align with evolving market demands.
- Features a user-centric interface tailored for both novices and seasoned traders, complemented by robust customer support services.
- Prioritizes user safety by conducting thorough due diligence on listed tokens, mitigating risks associated with scams and rug pulls. Additionally, these platforms ensure substantial liquidity.
- Enables users to securely store cryptocurrencies while also facilitating the holding of FIAT currencies, alongside stablecoins.

f) Benefits of DEXs :

- Facilitates pseudonymous transactions, minimizing the need to disclose personal information.
- Users maintain control over their private keys, eliminating the reliance on centralized entities.
- Provides early access to emerging projects, frequently listed on DEXs ahead of CEXs.

g) Drawbacks of DEXs :

- Limited token options: DEXs typically accommodate tokens that operate on their native blockchain.
- Transaction speeds can lag behind CEXs, leading to extended wait times and often elevated transaction costs, commonly referred to as "Gas Fees."
- Complexity can pose challenges for newcomers.
- Unlike CEXs that provide Market orders, DEXs frequently restrict users to Spot orders.
- Transaction fees can surpass those of CEXs due to blockchain-related costs. During periods of network congestion, these fees can become particularly discouraging.

In essence, decentralized finance (DeFi) presents a groundbreaking alternative to conventional financial systems by harnessing blockchain technology to facilitate transactions devoid of intermediaries. The DeFi sector is experiencing exponential growth, evidenced by surging market capitalization and an expanding user base.

Core attributes of DeFi platforms encompass decentralization, interoperability, the utilization of smart contracts, robust liquidity, and a broad spectrum of financial offerings. These facets empower users with unparalleled control over their assets, diverse financial access, and heightened transparency.

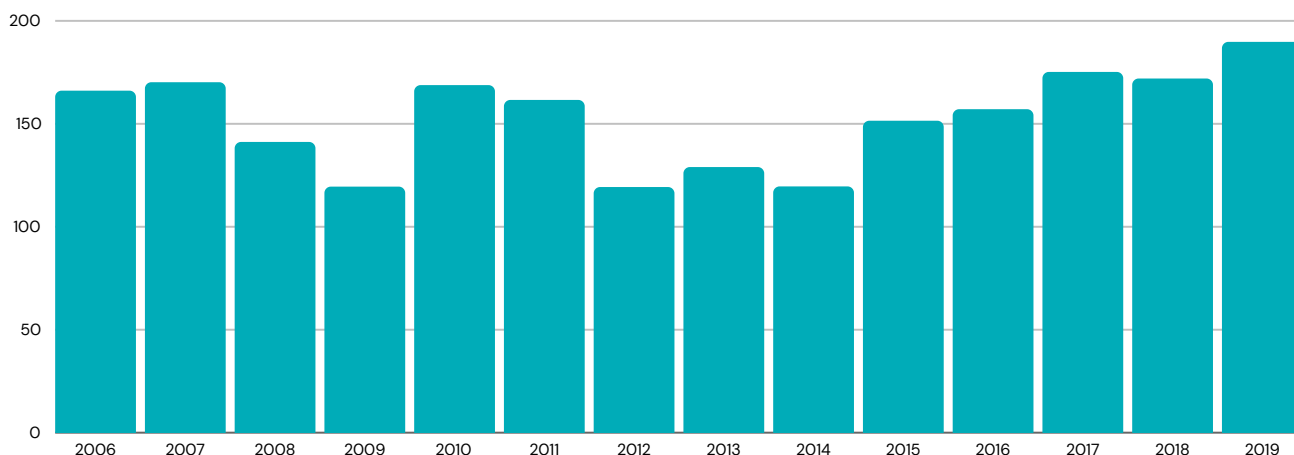
When evaluating exchange platforms, CEXs stand out for their intuitive interfaces and sophisticated functionalities. However, they necessitate placing trust in a singular central entity for asset protection. Conversely, DEXs prioritize privacy and asset ownership through private keys but might entail a more intricate learning curve and potentially diminished trading volumes.

The DeFi arena remains dynamic, witnessing the emergence of novel entities and initiatives. Hence, users must discerningly navigate the landscape, weighing the merits and drawbacks of various platforms to align with their priorities concerning security, autonomy, and user experience.



2. CURRENT TRADITIONAL BANK LENDING SCENE

Graph: Real estate loan offers accepted (in billions of €) in France, before Covid



Source: Observatory of real estate credit production OPCI

a) Significance of real estate loans in the banking system

Mortgages hold a pivotal position within the banking system, influencing economic dynamics and impacting various stakeholders. Several aspects underscore the criticality of real estate loans in the banking ecosystem :

- **Property Access :** Mortgages empower individuals and families to own property. Given that purchasing a home often constitutes a significant life investment, mortgages facilitate property acquisition by allowing buyers to spread payments over extended periods. This enhances financial inclusivity, broadening homeownership opportunities for a wider demographic.
- **Economic Boost :** The ripple effects of home loans are beneficial for broader economic health. The demand spurred by mortgage activities stimulates sectors like construction, real estate, and associated services, fostering job creation and overall economic vibrancy.
- **Revenue Stream for Banks :** Mortgages stand as a lucrative revenue source for financial institutions. Banks accrue interest income from these loans, bolstering their profitability. Given the extended repayment durations typically associated with mortgages, banks benefit from sustained revenue streams.
- **Risk Mitigation & Portfolio Diversification :** Real estate loans equip banks with tools to diversify their lending portfolios. Offering an array of mortgage products—ranging from fixed-rate to adjustable-rate mortgages—enables banks to hedge risks and tailor offerings to diverse borrower profiles and needs.
- **Spillover Benefits :** Mortgage provisions catalyze activity in ancillary sectors like home furnishings, renovations, and utilities. The overarching expenses tied to homeownership—such as property enhancements—inject vitality into local economies, benefiting various sectors.
- **Financial & Asset Resilience :** Mortgages enable homeowners to cultivate long-term assets, fortifying their financial footing. Property ownership can serve as collateral, facilitating access to additional financial instruments like loans, thereby bolstering borrowers' financial resilience.



b) Assessing the dynamics of real estate loan systems

Several pivotal elements shape the dynamics and functionality of real estate loan systems, each wielding its influence contingent on economic landscapes, governmental directives, and evolving consumer tendencies. Delving deeper, we elucidate the factors underpinning the demand for home loans:

- **Interest Rate Dynamics:** Interest rates stand as a linchpin in determining home loan demand. A milieu of low interest rates typically invigorates borrowing sentiments by rendering the cost of borrowing more palatable. Reduced interest rates translate to diminished monthly repayments, thereby amplifying the allure of home loans. Conversely, elevated interest rates can stifle demand, escalating borrowing expenses and diminishing loan appeal.
- **Economic Milieu :** The overarching economic climate exerts a pronounced influence on home loan demand dynamics. During periods characterized by robust economic growth, minimal unemployment, buoyant consumer confidence, and financial equilibrium, the propensity to secure home loans escalates. Such conditions instill borrower confidence in real estate investments, fostering a perception of financial stability and propitious market conditions. Conversely, economic downturns or ambivalence can curtail loan demand, instigating borrower circumspection regarding protracted financial commitments. As of 2023, this economic backdrop underscores prevailing conditions.
- **Governmental Interventions :** Governmental initiatives wield significant sway over home loan demand trajectories. Incentives like tax breaks or inaugural homeowner subsidies can amplify demand. Furthermore, policy frameworks aimed at bolstering real estate market resilience or financial regulations can shape loan demand dynamics. Modifications in governmental stances can thus erect either catalysts or impediments vis-à-vis home loan accessibility.
- **Consumer Preferences & Trends :** Consumer predilections and evolving behaviors are pivotal determinants of home loan demand. Property acquisition choices frequently hinge on multifarious factors encompassing housing requisites, investment potentials, geographic inclinations, and familial contexts. Demographic transitions, such as familial reconfigurations, migration patterns, or predilections for urban versus rural domiciles, can recalibrate home loan demand trajectories.



c) Current landscape of real estate loans

Real Estate Loan Volume :

- Recent data trends indicate a notable downturn in the volume of real estate loans, signaling subdued activity across all residential real estate sectors.
- Despite this downturn, the credit supply remains constrained, primarily attributed to escalating resource costs that exert pressure on bank profit margins.
- The recent uptick in European Central Bank (ECB) rates has further hindered the restoration of favorable profitability metrics for newly extended credits.
- Compounding these challenges, diminished solvency among potential borrowers, spurred by rising credit rates, has cast a discernible shadow over the market landscape.
- The latter half of 2023 has witnessed a steepening decline in the real estate loan sector, with credit production plummeting by a staggering 46.1% year-over-year during the initial half of the year. The contraction intensified to 51.2% for the second quarter, culminating in an annualized decline of 41.0% in loan production.

Escalation in Interest Rates :

- The momentum of inflation shows signs of deceleration, evidenced by the Harmonized Index of Consumer Prices (HICP) registering a +6.63% annual increment.
- The ECB's primary refinancing rate was elevated to 4.00% on June 21, with further increments anticipated in the subsequent month.
- The 10-year OAT rate exhibited a marginal dip to 2.93% in June, slightly receding from May's 2.94%.
- Notably, the usury rate surged to 4.68% in June for loans spanning over two decades, subsequently escalating to 5.09% by July.
- Reflecting these shifts, mortgage rates continue their upward trajectory, standing at 3.55% by mid-July—a notable surge from 3.45% recorded in June—representing a 120-point escalation since December 2022.

d) Loan duration overview

In the second quarter of 2023, the average duration for loans stood at 249 months. It's noteworthy to mention that the elongation of loan durations is no longer effectively counteracting the repercussions stemming from surging housing prices and escalating interest rates. Additionally, the prerequisites of substantial personal contribution rates are exerting pressure on households' borrowing capacities, despite the extended loan terms.

e) Process for home loan applications

Borrower evaluation criteria :

1. **Income Assessment :** Lenders meticulously review the borrower's income, aiming to ascertain their repayment capability. This evaluation encompasses scrutinizing salary slips, tax filings, and any other pertinent financial documentation.
2. **Credit History Review :** To gauge the borrower's creditworthiness and aptitude for debt repayment, lenders meticulously examine their credit history. This involves assessing credit scores, delving into credit reports, and evaluating past repayment patterns.



3. Debt Capacity Analysis : Lenders undertake a comprehensive evaluation of the borrower's debt capacity. This involves a holistic assessment that considers their income levels, recurrent monthly expenditures, and existing debt obligations. Such scrutiny aids in determining whether the borrower possesses the financial resilience to consistently meet the stipulated monthly mortgage repayments without compromising their overall fiscal health.

Property Valuation Process :

1. Determining Property Value :

- Lenders engage a certified appraiser to evaluate the property and ascertain its current market worth. This valuation aids in establishing the loan amount, aligning with the designated loan-to-value (LTV) ratio set by the lender.

2. Risk Evaluation :

- Lenders conduct a thorough risk assessment of the property, scrutinizing potential issues such as hidden defects, structural concerns, or existing mortgage liens. The objective is to ensure the property's integrity and ascertain that it doesn't pose substantial risks jeopardizing its value or the borrower's repayment capacity.

Continuation of the Home Loan Application Process :

1. Application Submission :

- The borrower furnishes a comprehensive home loan application, encompassing personal, financial, and property details. This submission can be made either digitally or in-person to the relevant financial institution.

2. Documentation Requirements :

- Essential documentation, including but not limited to salary proofs, tax filings, bank statements, identity verification, residency proofs, and pertinent property documents like title deeds and valuations, must be provided by the borrower.

3. Application Review & Approval :

- Lenders meticulously examine the application and accompanying documents, weighing factors like repayment potential, credit history, property valuation, and associated risks. Post this evaluation, the lender adjudicates whether to sanction or decline the loan request.

4. Loan Terms Determination :

- Upon approval, the lender stipulates the loan's specific terms, encompassing interest rates, repayment duration, and associated conditions. While these terms are typically negotiable to an extent, they can fluctuate based on the borrower's profile and the lender's internal protocols.

5. Finalizing the Loan :

- With mutual agreement on the loan terms, the finalization phase ensues. This entails executing loan agreements, facilitating fund transfers (particularly in property acquisition scenarios), and orchestrating subsequent periodic repayments.

Navigating the home loan application process demands careful attention to detail, and while specific nuances might differ among lenders, these foundational steps elucidate the overarching mechanics and considerations pivotal to both borrower and property valuation.

f) Home loan application process

In France and Europe, bank loans, including real estate loans, are subject to strict regulations aimed at protecting both borrowers and financial institutions. Here is a detailed explanation of the regulations on bank loans in France and Europe :



- *European Real Estate Loans Directive* : In Europe, the Real Estate Loans Directive (Directive 2014/17/EU) was adopted to harmonize national regulations on real estate loans. This directive aims to improve consumer protection and increase transparency in the process of granting real estate loans. It imposes obligations on lenders in terms of pre-contractual information, appropriate advice, verification of the borrower's solvency and protection against unfair terms.
- *French law on the regulation of real estate loans* : In France, the regulation of bank loans, including real estate loans, is mainly governed by the Consumer Code and the Monetary and Financial Code. These laws define the rights and obligations of borrowers and lenders, and aim to ensure a balanced and transparent relationship between the parties. They establish rules on the information to be provided to borrowers, the methods for calculating interest rates, the conditions for early repayment, late payment penalties, etc.
- *Information and transparency obligations* : Lenders are required to provide borrowers with complete and transparent information on the terms of the loan, including interest rates, fees, maturities, guarantees, prepayment conditions, optional insurance, etc. This information must be clear, precise and provided in a way that borrowers can understand.
- *Assessing the borrower's creditworthiness* : Lenders are required to assess the borrower's creditworthiness before granting a loan. This involves analyzing the borrower's income, expenses, credit history and repayment capacity. The objective is to ensure that the borrower has the financial resources necessary to repay the loan without becoming over-indebted.
- *Protection against unfair clauses* : French and European regulations prohibit the inclusion of unfair clauses in loan contracts. Unfair clauses are those which create a significant imbalance between the rights and obligations of the parties and which are detrimental to the interests of borrowers. Courts can strike down such clauses and protect borrowers against abusive practices.
- *Supervisory and regulatory authorities* : In France, the Prudential Control and Resolution Authority (ACPR) is responsible for supervising and regulating the activities of credit institutions, including real estate loans. In Europe, the European Central Bank (ECB) and the European Banking Authority (EBA) play a role in supervising cross-border banking activities and coordinating regulations between EU member countries. Other major countries where cryptocurrencies are tolerated may vary depending on the legal framework and specific policies of each country.

Here is a general overview of home loan regulations in some countries:

- *South Korea* : In South Korea, home loans are regulated by the Financial Supervisory Service (FSS) and the Bank of Korea (BOK). Lenders must follow lending rules, including credit checks, loan-to-property value limits and repayment terms. Borrowers must provide detailed information about the United States: In the United States, home loans are regulated by the Consumer Financial Protection Bureau (CFPB) and are subject to federal and state laws. Lenders must comply with fair lending laws, such as the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). Additionally, borrowers typically must provide information about their income, credit history, and financial history to qualify for a home loan.
- *United Kingdom* : In the United Kingdom, home loans are regulated by the Financial Conduct Authority (FCA). Lenders must comply with mortgage market conduct rules, such as the Mortgage Conduct of Business (MCOB) sourcebook. Borrowers must provide information about their creditworthiness and ability to repay the loan. Additionally, thorough borrower and property checks are carried out, including independent property value assessments.



- Canada : In Canada, real estate loans are regulated by the Consumer Protection Office (OPC) and the Canada Mortgage and Housing Corporation (CMHC). Lenders must comply with provincial credit laws, such as the Consumer Protection Act in Quebec, and CMHC guidelines. Borrowers must provide information about their income, credit history, and financial history. Additionally, property value assessments are usually carried out.
- China : In China, home loans are regulated by the China Banking and Insurance Regulatory Commission (CBIRC). Lenders must follow rules regarding borrower creditworthiness criteria, loan-to-property value limits, interest rates, and other specific requirements established by the Chinese government. Borrowers must provide detailed information about their income, credit history and other aspects of their financial situation.
- Japan : In Japan, home loans are regulated by the Financial Services Agency (FSA) and the Bank of Japan (BoJ). Lenders must comply with regulations on lending practices, including guidelines for credit checks, interest rates and repayment terms. Borrowers must provide information about their income, credit history and other aspects of their creditworthiness. Their income, credit history and ability to repay the loan.
- Singapore : In Singapore, home loans are regulated by the Monetary Authority of Singapore (MAS). Lenders must follow lending rules, including guidelines on creditworthiness criteria, loan limits relative to property value, and repayment terms. Borrowers must provide information about their income, credit history and other aspects of their creditworthiness.

3. OUTSTANDING CONCERNS : FLUCTUATING COLLATERAL VALUES, RAPID INFLATION, AND LIQUIDATION RISKS

a) Cryptocurrencies as collateral

Cryptocurrencies have swiftly evolved into a distinct financial asset class, boasting attributes like decentralization, transparency, and transactional security. Owing to these intrinsic features, cryptocurrencies have found a niche as collateral, particularly within the realm of real estate financing.

In financial parlance, collateral represents assets leveraged to underpin a loan's security. Within the cryptocurrency framework, this collateral often comprises digital tokens underpinned by blockchain technology. A prospective borrower eyeing a real estate loan can opt to offer their cryptocurrencies as collateral.

There are compelling advantages to leveraging cryptocurrencies as collateral. Foremost, it democratizes access to real estate financing. By using their digital holdings, borrowers can sidestep the conventional rigors associated with credit assessments and background checks. Moreover, transactions underpinned by cryptocurrency collateral typically manifest as swifter and more cost-effective endeavors. This efficiency stems from bypassing traditional intermediaries, thereby curtailing associated fees and delays.



Nevertheless, leveraging cryptocurrencies as collateral comes with its set of challenges, primarily centered around the asset's inherent volatility. The value of cryptocurrencies can swing dramatically due to a myriad of factors, including market sentiment, regulatory changes, significant news events, and global happenings. Such volatility introduces pronounced risks for both lenders and borrowers, especially concerning the collateral's valuation and the borrower's repayment capability.

In response to these challenges, the cryptocurrency realm has witnessed the emergence of various stabilization mechanisms. These mechanisms aim to anchor the collateral's value, shielding it from unpredictable market oscillations. Strategies might encompass automated exchange rate management tools, protocols that facilitate multi-collateralization, or smart contracts designed to recalibrate collateralization ratios in tandem with evolving market dynamics. However, it's worth noting that even with these mechanisms in place, substantial liquidations have occurred, particularly during severe market downturns or bearish phases.

b) Cryptocurrency volatility

Cryptocurrency volatility encapsulates the rate and extent of price variations or shifts in digital asset values over a specified timeframe. Grasping this volatility is paramount when gauging the associated risks of utilizing cryptocurrencies as collateral in real estate lending scenarios.

Several factors contribute to the volatility observed in cryptocurrencies :

- **Supply and Demand Dynamics:** The availability of tokens on the market directly correlates with cryptocurrency volatility. A constrained supply coupled with surging demand can precipitate swift price escalations, intensifying volatility. Conversely, an oversupply relative to demand can trigger sharp price declines.
- **News and Events:** The broader landscape of global events and news plays a pivotal role in shaping cryptocurrency volatility. Regulatory announcements by governments, revelations from prominent corporations, security breaches, or significant market developments can trigger abrupt price shifts.
- **Market Sentiment:** The collective sentiment of market participants towards cryptocurrencies—whether bullish or bearish—can be a decisive factor in their volatility. Optimistic investor sentiment can fuel price hikes and heightened volatility, while a bearish sentiment can drive prices down, intensifying market fluctuations.

The ramifications of cryptocurrency volatility on real estate loans using these digital assets as collateral are multifaceted :

- **Lender Vulnerabilities:** The unpredictable nature of cryptocurrency valuations can pose challenges for lenders in accurately gauging the genuine worth of collateral. Sudden and significant price plunges could lead to swift depreciation of collateral assets, thereby exposing lenders to potential financial setbacks.
- **Borrower Challenges:** Sharp declines in cryptocurrency values could trigger margin calls for borrowers. Such calls necessitate additional collateral to maintain requisite collateralization levels, potentially placing borrowers in precarious financial predicaments.
- **Loan Repayment Stability:** Fluctuations in cryptocurrency valuations can undermine the stability of loan repayments. Should collateral values plummet dramatically, borrowers might encounter challenges in adhering to their loan repayment schedules as initially stipulated.



To address the challenges posed by cryptocurrency volatility, several strategies can be adopted. These encompass the deployment of mechanisms designed to stabilize collateral, opting for cryptocurrencies with a track record of lower volatility, or instituting protocols that adjust collateralization ratios in response to market price swings.

It's crucial to recognize the centrality of cryptocurrency volatility when leveraging these digital assets as collateral in real estate financing. Influential factors such as supply-demand dynamics, pivotal news events, and overarching market sentiment can induce substantial price oscillations. Consequently, the repercussions on home loans span potential hazards for both lenders and borrowers, as well as the stability of repayment structures. By instituting robust risk management frameworks, stakeholders can attenuate the adverse effects of volatility, fostering a more secure utilization of cryptocurrencies as collateral within the real estate lending landscape.

c) The escalation of inflation

Inflationary pressures arise when the prices of goods and services consistently climb over an extended period. This scenario results in a diminishing value of the currency, translating to reduced buying power for consumers. Grasping the dynamics of inflation is pivotal when evaluating its correlation with the volatility of cryptocurrencies utilized as collateral in property loans.

Definition and elucidation of inflationary trends :

The progression of inflation is gauged using metrics like the Consumer Price Index (CPI) or the Producer Price Index (PPI). Consistent upticks in pricing can stem from diverse factors, encompassing economic expansion, heightened demand, elevated production expenditures, expansive monetary strategies, or other fiscal stimuli. Persistent inflation is typified by a prolonged surge in pricing.

Origins and Implications of Inflationary Growth within the Economic Framework :

The genesis of inflation can be multifaceted, driven by :

- Escalating Demand : When the appetite for commodities and services surpasses their supply, it typically leads to price hikes to equilibrate the market.
- Production Expenditures : Elevated costs in production facets like labor, raw materials, or energy empower enterprises to transfer these expenses to consumers via augmented product pricing.
- Monetary Easing : Central banks amplifying liquidity in the market by diminishing interest rates or partaking in quantitative easing can invigorate demand, propelling prices upward.

d) Implications of mounting inflation on the economic landscape :

- Erosion of Purchasing Power : As prices outpace income growth, consumers grapple with dwindling buying power, potentially curbing both consumption and investment activities.
- Wealth Redistribution Dynamics : Inflation can tilt the scales favorably for debtors, enabling them to settle obligations with devalued currency. Conversely, creditors witness the tangible worth of their receivables diminishing.



- Economic Uncertainty: Elevated inflation rates can amplify economic unpredictability, deterring investment and unsettling long-term financial strategizing.

e) Connection between escalating inflation and the volatility of cryptocurrencies used as collateral :

- The upward trajectory of inflation can significantly influence the unpredictability of cryptocurrencies utilized as collateral in real estate financing.
- Cryptocurrency Price Swings : As inflationary pressures mount, investors might gravitate toward assets like cryptocurrencies, potentially driving up demand and values. This influx of interest could intensify the volatility associated with cryptocurrencies used as collateral.
- Implications for Lenders and Borrowers : With inflation on the rise, the escalating production costs could impede borrowers' repayment capabilities for their housing loans. This heightened risk might elevate lenders' exposure to defaults, further affecting the volatility of cryptocurrencies pledged as collateral.
- Quest for Stability : Faced with the unpredictable nature of cryptocurrencies and mounting inflation, stakeholders may pivot towards stability measures to curtail risks. This could entail delving into innovative technological solutions, implementing price steadying mechanisms, or adopting more intricate collateral assurance protocols.

The surge in inflation directly affects the volatility of cryptocurrencies utilized as collateral in real estate financing. As prices soar and purchasing power dwindles due to inflationary pressures, the associated risks can sway the demand and valuations of cryptocurrencies, amplifying their volatility. Grasping the correlation between escalating inflation and cryptocurrency instability is crucial for risk mitigation and crafting robust stabilization strategies within the realm of real estate lending backed by digital assets.

f) Contemporary approaches to Mitigating cryptocurrency Collateral volatility :

Evaluation of Established Stabilization Strategies in Cryptocurrency: Within the cryptocurrency domain, a range of stabilization techniques have emerged to temper the volatility associated with crypto-backed collateral. These strategies focus on preserving the collateral's value, irrespective of market oscillations. Predominant methodologies include :

- Algorithmic Adaptation Mechanisms : Certain lending frameworks employ smart contracts to dynamically modify collateralization ratios in response to market dynamics. For instance, should the collateral's valuation decline, the system might elevate the collateralization ratio to sustain requisite security levels.
- Diversified Collateral Assurance Systems : Several DeFi platforms permit borrowers to pledge an assortment of collaterals, reducing vulnerability to volatility inherent in a singular cryptocurrency. This strategy fosters enhanced risk dispersion and augments collateral resilience.
- Real-time Exchange Rate Calibration Mechanisms : Specific protocols leverage oracles to track cryptocurrency exchange rates, enabling automatic collateral value adjustments contingent upon market shifts. Such adaptive mechanisms stabilize the collateral's worth relative to a designated benchmark currency.



Assessment of lending protocols and DeFi platforms aimed at reducing cryptocurrency collateral volatility :

Numerous DeFi platforms have surfaced, focusing on cryptocurrency lending and borrowing, with some integrating specialized measures to curtail the volatility of crypto collateral. Here are a few notable examples :

- **MakerDAO** : MakerDAO utilizes Dai, a stablecoin tethered to the US dollar, as its collateral. By maintaining this peg, Dai's value remains relatively stable against the dollar, diminishing the risks tied to crypto market fluctuations. However, given its USD anchor, there's an inherent risk of DAI succumbing to inflation over extended loan durations.
- **Aave** : Aave operates as a lending and borrowing framework equipped with stabilization tools to mitigate crypto collateral volatility. It employs automated liquidations and liquidity pools to uphold security levels, though this structure can be more favorable to liquidity providers than borrowers.
- **Compound** : Compound permits cryptocurrency lending and borrowing, adjusting interest rates dynamically based on market supply and demand to stabilize collateral values. Yet, borrowers must remain vigilant, as borrowing rates can surge unexpectedly.

Critique of current methodologies :

While strides have been made in crafting approaches to stabilize crypto collateral, certain critiques persist :

- **Oracular Dependence** : Numerous stabilization strategies hinge on external oracles for exchange rate or crypto valuation data, thereby exposing the system to potential manipulations or misinformation.
- **Technical Intricacies** : The complexity of these stabilization mechanisms may deter or confuse less tech-savvy users, potentially limiting broader adoption.
- **Limited Collateral Spectrum** : Predominantly, protocols gravitate toward widely recognized cryptocurrencies, constraining collateral diversity and amplifying risks during broad market fluctuations.

In summary, diverse strategies have emerged to mitigate the volatility of crypto collateral in real estate-linked loans. While mechanisms such as automatic adaptations, diversified collaterals, and exchange rate controls endeavor to temper crypto-associated risks, challenges persist. Issues like reliance on oracles, the intricate nature of protocols, and limited collateral diversity warrant further exploration. Continued research aims to devise more streamlined and inclusive solutions for managing crypto collateral volatility in real estate financing contexts.

g) Strategies for mitigating collateral volatility :

To address the inherent volatility of digital assets utilized as collateral, implementing a supervisory framework grounded in tokenized representations of more stable assets emerges as a viable strategy. Here's an illustrative example of such a supervisory system :



- **Tokenization of Real Estate :** The primary strategy revolves around tokenizing real estate assets, transforming them into digital tokens on a blockchain platform. This process enables the division of real estate ownership into smaller, more manageable fractions. Consequently, it enhances the property's liquidity, exchangeability, and potential for investment, akin to shares in a real estate investment trust (REIT). Such tokenization can help mitigate the adverse effects of real estate price fluctuations on collateral values. REIT shares are typically viewed as stable assets, benefiting from consistent rental income. This stability can counterbalance collateral volatility, especially in an environment marked by escalating inflation. However, it's essential to acknowledge that tokenizing real estate demands rigorous management of the property portfolio. This operational complexity, coupled with the need for immediate responsiveness in a DeFi lending ecosystem, renders this approach less feasible. Acquiring real estate assets entails time-consuming processes that may not align with the swift operational requirements of a DeFi platform like VELTA, which has refrained from pursuing this avenue.
- **Utilization of Stable Assets :** Leveraging stable assets, cryptocurrencies pegged to fiat currencies like the US dollar, can offer a more stable collateral option compared to volatile cryptocurrencies. Nevertheless, these stable assets remain susceptible to long-term inflationary pressures.
- **Automatic Liquidation Mechanism :** Implementing an automatic liquidation system serves as a protective measure against excessive collateral volatility. If the collateral's value dips below a set threshold, this mechanism triggers an automatic liquidation, safeguarding lenders' interests and ensuring the system's stability. However, borrowers face the downside of potential forced liquidations, highlighting the necessity for a balanced approach to risk management.

h) Evaluation of the pros and cons of the new approach's Components

The suggested strategy of employing an adaptive system to regulate the volatility of cryptocurrency collateral offers numerous potential benefits. However, it also presents specific challenges and limitations that warrant thorough scrutiny. Below is an in-depth examination of this proposition :

Potential advantages :

- **Volatility Control :** The adaptive system effectively manages cryptocurrency collateral volatility by dynamically adjusting the collateralization ratio in response to market shifts. This ensures sustained collateral stability and mitigates risks tied to cryptocurrency volatility.
- **Risk Mitigation :** Utilizing stable assets as collateral enhances protection against market volatilities, thereby reducing risks associated with cryptocurrency fluctuations. This strategy fortifies collateral stability, a crucial aspect for securing long-term property loans.



- **Asset Diversification** : Employing SCPI shares as collateral facilitates a broader diversification of underlying assets, thereby diminishing risks associated with individual real estate assets. This diversification enhances system resilience and bolsters risk management effectiveness.
- **Transparency and Traceability** : Leveraging blockchain technology for recording transactions and asset valuations ensures heightened transparency and comprehensive traceability. Such transparency fosters trust among involved parties and simplifies transaction audits and verifications.
- **Flexibility and Scalability** : The adaptive design of the mechanism enables it to adjust to shifting market and economic conditions. This inherent flexibility allows for the incorporation of new data and market developments, ensuring the continued stability of the collateral.

Limitations and potential challenges :

- **Technical Complexity** : Introducing an adaptive system to manage cryptocurrency collateral volatility demands specialized technical knowledge and a profound grasp of blockchain technologies. This complexity can pose hurdles for involved parties, particularly those lacking technical expertise.
- **Reliance on Oracles** : Relying on oracles for external data, such as real estate valuations, carries inherent risks of potential manipulation or misinformation. Therefore, ensuring the reliability and security of these oracles remains paramount during the approach's implementation.
- **Liquidity and Regulatory Concerns** : The liquidity of SCPI shares and adherence to jurisdiction-specific regulations present practical challenges. It's imperative to guarantee that SCPI shares utilized as collateral remain readily exchangeable and align with regional regulatory frameworks.
- **Stakeholder Buy-In** : The efficacy of this approach hinges on garnering support from diverse market participants, encompassing lenders, borrowers, regulators, and investors. Persuading these stakeholders about the approach's merits and feasibility poses a substantial challenge.
- **Real Estate-Related Risks** : While asset diversification can mitigate certain risks, real estate introduces its own set of challenges, including market fluctuations, property management uncertainties, and potential tenant defaults. These inherent risks necessitate meticulous consideration and adept management.

The suggested strategy employing an adaptive mechanism to regulate cryptocurrency collateral volatility presents numerous potential advantages. These encompass reduced volatility, minimized risk, diversified assets, enhanced transparency, and increased flexibility. Nevertheless, the approach also confronts specific challenges and limitations, including technical intricacies, dependency on oracles, liquidity concerns related to SCPI shares, stakeholder engagement and adoption hurdles, as well as inherent real estate risks.

4. GLOBAL TRENDS OF DEBANKING AND FINANCIAL EXCLUSION

The challenges of unbanking and financial exclusion continue to be pressing concerns in today's world. Even with the strides made in technology and the growing availability of financial services, a staggering 1.7 billion individuals still find themselves outside the purview of the financial system. This exclusion can stem from a myriad of reasons, including insufficient financial infrastructure in rural locales, linguistic or cultural impediments, and a pervasive distrust towards banking establishments.



The repercussions of such exclusion are profound. Those without access to banking face challenges in saving, investing, and availing themselves of financial safety nets, perpetuating cycles of poverty and economic unpredictability. Furthermore, it obstructs their participation in the burgeoning digital economy, where electronic transactions and online payments are becoming the norm.

Efforts to address unbanking and financial exclusion have given rise to initiatives like microfinance, mobile banking, and governmental programs targeting the provision of fundamental financial services to underserved communities. Yet, achieving comprehensive global financial inclusion remains a formidable task. This endeavor calls for international cooperation, technological breakthroughs, and policy reforms aimed at dismantling barriers that inhibit access to financial services for everyone. In this vein, VELTA aligns itself with an inclusive approach.

a) The criteria established by financial institutions

Banks typically set eligibility criteria rooted in factors like income levels, employment continuity, and creditworthiness. For a segment of the population, meeting these prerequisites can be challenging, resulting in their exclusion from mainstream financial avenues. Long-term real estate loans are pivotal in fostering homeownership and catalyzing economic advancement for individuals and families. Acquiring a home frequently stands as one of the most significant financial commitments one undertakes, facilitating residential stability, wealth accumulation, and investment avenues.

b) Exclusion of economically disadvantaged groups

In numerous nations, banking institutions' stringent prerequisites for extending long-term home loans encompass criteria such as substantial income, a favorable credit history, and considerable collateral. For individuals or families with modest or inconsistent earnings, fulfilling these stipulations becomes a formidable obstacle, barring them from traditional home loan avenues.

c) Ramifications on housing access and societal advancement

The unavailability of long-term mortgage options significantly curtails housing access and social mobility. Those unable to secure real estate financing often find themselves relegated to tenancy, constraining their capacity to amass wealth and capitalize on sustained property value appreciation. Homeownership correlates with enhanced residential permanence and offers expansive social and economic dividends.

d) Strategies to enhance access to extended real estate financing

Collaborative efforts between governments and financial entities can give rise to risk-mitigated lending initiatives, distributing risk across various stakeholders. Such initiatives can alleviate borrowers' financial strains by apportioning risk amongst the borrower, banking institution, and potentially governmental bodies.



e) Advancing Real Estate Microfinance

Tailoring real estate microfinance to cater to the requirements of low-income demographics can enhance accessibility to property loans. Such institutions can employ more adaptable lending standards and embrace innovative collateral models, like community guarantees, to secure loans without traditional assurance.

Utilizing Financial Technology (Fintech) Fintech platforms have the potential to streamline the gathering of both financial and non-financial data, aiding in evaluating potential borrowers' creditworthiness. Employing alternative scoring methodologies can expand the assessment of credit risk, enabling lenders to factor in a broader range of criteria when gauging repayment potential.

Financial Literacy and Education Elevating financial literacy and education within affected communities is paramount. With a clearer comprehension of homeownership advantages and proficient financial management skills, individuals are poised to navigate and capitalize on extended home loan opportunities.

In Summary, the lack of access to extended real estate financing for those with savings but falling short of traditional banking benchmarks poses significant barriers to their socioeconomic progress and financial growth. Addressing these impediments necessitates championing innovative and equitable strategies, fostering shared risk lending initiatives, bolstering real estate microfinance, and leveraging fintech advancements. Integrating these strategies with enhanced financial literacy initiatives paves the way for a more inclusive society, empowering individuals to achieve their property aspirations and cultivate a resilient financial foundation.

5. LIMITED ACCESSIBILITY TO BANK FINANCING

Limited access to bank financing poses a considerable obstacle for numerous businesses and individuals globally. Such constraints exert profound impacts on the worldwide economy, entrepreneurial endeavors, and the day-to-day lives of countless individuals.

A myriad of factors contribute to this constrained access to bank financing. Initially, the aftermath of the 2008 financial crisis prompted banks to bolster their risk management protocols. Regulatory bodies enforced stringent lending and capital requirements, prompting banks to exercise greater prudence in their lending practices.

Furthermore, the prevailing low-interest-rate environment has incentivized banks to pursue higher yields elsewhere, steering clear of venturesome loans. Moreover, the emergence of fintech firms and online lending platforms has intensified market competition, compelling traditional banks to reassess and adapt their operational paradigms.



The ramifications of constrained access to bank financing are multifaceted and frequently detrimental. Firstly, numerous businesses, notably startups and small enterprises, grapple with securing the necessary funds for expansion, potentially stifling innovation, job generation, and overall economic advancement.

Moreover, individuals with modest incomes or blemished credit histories might find themselves marginalized from conventional financial avenues, impeding their ability to secure loans for pivotal endeavors like homeownership or educational pursuits.

To mitigate these challenges, collaborative actions are imperative. Regulators and financial institutions must collaborate to harmonize risk management practices with accessible financing options. Evaluating more adaptable lending policies tailored for small enterprises and economically disadvantaged individuals could prove beneficial.

Furthermore, fostering the growth and utilization of alternative financial mechanisms, including peer-to-peer lending and crowdfunding platforms, can help address the gaps left by traditional banking entities.

Constrained access to bank financing stands as a formidable obstacle confronting our economy and society at large, stemming from a confluence of factors such as risk mitigation strategies, diminished interest rates, and escalating market competition.

To ameliorate these constraints, it remains paramount for regulators, banking institutions, and enterprises to synergize efforts, devising strategies that empower a broader spectrum of individuals and businesses to access the requisite financial resources for sustained prosperity.

6. ELEVATED INTEREST RATES

The implications of elevated benchmark rates set by Central Banks, coupled with surging real estate interest rates and constraints on the usury rate, are pivotal considerations within the contemporary economic and financial landscape. These dynamics exert profound influences on markets, borrowers, and the broader economy.

Central Banks' elevated benchmark rates reverberate throughout the financial ecosystem. Elevated policy rates typically prompt commercial banks to augment the interest rates levied on various loans, encompassing mortgages. Such developments directly impact borrowers, particularly prospective homeowners.

Elevated interest rates translate to amplified monthly obligations, rendering homeownership financially prohibitive for numerous individuals or outright precluding their loan eligibility.

Escalating real estate interest rates yield multifaceted repercussions. Foremost, they may deter potential homebuyers, precipitating diminished demand within the real estate sector. Consequently, this could engender stagnant or depreciating home values, adversely affecting existing property owners. Furthermore, borrowers with adjustable-rate mortgages could grapple with substantially elevated monthly repayments, potentially precipitating financial distress.



The regulation of usury rate limits serves as a protective measure, aiming to shield borrowers from exorbitant interest rates. However, such limitations can inadvertently curtail credit accessibility for specific higher-risk borrower segments. Concerns about surpassing usury rate caps may deter banks from extending loans to these individuals, fearing regulatory non-compliance.

To navigate these complexities, financial regulators and central banks face the intricate task of harmonizing financial stability objectives with economic growth imperatives. This balancing act might entail gradual adjustments to policy rates, mitigating abrupt market and housing sector disruptions. Implementing judicious regulatory frameworks becomes crucial, ensuring borrower protection while maintaining credit accessibility.

The interplay among policy rates, real estate interest rates, and usury rate constraints is intricate, bearing substantial ramifications for both the economy and borrowers. Astute management of these variables remains pivotal, ensuring sustained financial stability while enabling individuals to secure favorable credit terms for diverse financial undertakings, such as real estate acquisitions.

In August 2023, the Federal Reserve augmented its benchmark rate by 0.25%, elevating it from 5.25% to 5.50%. Subsequently, the European Central Bank mirrored this increment, raising its rate by 0.25% to reach 4.25%. Both central banks justified these actions as measures to temper inflationary pressures.

Reflecting on the real estate financing landscape, data from the broker RÉFINANCER indicates prevailing rates of 3.70% for 15-year terms, 3.90% for 20-year terms, and 4.20% for 25-year terms, based on the period spanning from June 20, 2023, to July 27, 2023.

This data underscores a noteworthy escalation, especially when juxtaposed with 2022's average rate of merely 1.09%.





C. SOLUTIONS PROVIDED BY VELTA'S EXPERTISE

1. LONG-TERM LOAN THAT OPENS NEW HORIZONS

VELTA has pioneered a significant advancement in the realm of decentralized finance (DeFi), unlocking fresh avenues for funding real estate ventures, industrial initiatives, and beyond. Leveraging our specialized expertise and dedication to prudent innovation, VELTA has effectively navigated challenges related to collateral volatility and inflation, thereby introducing unparalleled long-term borrowing prospects within the DeFi landscape.

Historically, securing loans for extended projects within the DeFi sphere was constrained by the erratic nature of digital assets utilized as collateral. Such pronounced volatility posed substantial risks for borrowers; a sudden depreciation in collateral value could trigger asset liquidation, culminating in substantial financial setbacks.

Furthermore, the persistent impact of inflation, diminishing the tangible value of collateral over extended periods, posed another formidable barrier to long-term DeFi borrowing. This erosion in collateral value could compromise loan stability, potentially dissuading borrowers from undertaking ambitious, long-haul projects that necessitate sustained financial commitments.



Furthermore, the persistent influence of inflation, eroding the tangible value of collateral over time, stood as a significant impediment to long-term borrowing within the DeFi realm. Such depreciation risked destabilizing loans and dissuading borrowers from embarking on ambitious endeavors necessitating extended financial commitments.

Yet, propelled by an unwavering commitment to redefine the boundaries of decentralized finance, VELTA engaged in pivotal dialogues, culminating in the conceptualization of groundbreaking solutions to address these pressing challenges.

We've successfully curtailed the impact of collateral asset volatility. Consequently, borrowers can now navigate their projects with enhanced stability, shielded from the vagaries of unpredictable market shifts.

Moreover, our trailblazing methodology effectively safeguards collateral value against inflationary pressures. Through astute mechanisms, we ensure that the intrinsic value of collateral remains intact throughout the loan's duration, furnishing borrowers with augmented security.

This progression in long-term DeFi borrowing ushers in unprecedented opportunities for funding expansive real estate ventures, industrial undertakings, and other monumental initiatives. Entrepreneurs, real estate magnates, and visionaries alike can now contemplate long-term DeFi loans, irrespective of the scale or ambition of their projects.

2. VELTA INTRODUCES THE AMORTIZING LOAN ON ITS DEFI PLATFORM

We're thrilled to unveil a groundbreaking initiative in the realm of DeFi : VELTA is set to introduce access to amortizing loans through its DeFi platform. This transformative leap not only pushes the envelope of decentralized finance but also signifies a pivotal stride toward broadening DeFi's appeal to the masses.

Amortizing loans, a cornerstone of conventional finance, represent a seminal breakthrough for blockchain enthusiasts. With this innovation, borrowers can now methodically repay their loans akin to offerings from traditional banks, fostering a lending environment that's more approachable, predictable, and transparent.

At VELTA, our conviction remains steadfast: fostering mainstream adoption of DeFi necessitates forging connections between traditional financial paradigms and blockchain technology. Rather than thrusting intricate or novel concepts onto users, we've opted to transition time-tested practices familiar to the public from conventional finance into the blockchain arena.

By rolling out the amortizing loan, we're addressing an escalating demand for structured lending solutions tailored to user requisites. This strategy empowers a broader demographic to harness the advantages of decentralized finance, underpinned by intuitive and recognizable frameworks.

We ardently believe that democratizing blockchain-centric applications mandates aligning them with mainstream user expectations, not the inverse. By integrating established financial norms into the blockchain sphere, VELTA embarks on a pivotal journey toward realizing this vision.



At VELTA, prioritizing security and instilling trust stand paramount. Our amortizing loans will be fortified by rigorously audited and secure smart contracts, thereby safeguarding our users' data and assets with utmost diligence.

We extend our heartfelt gratitude to our community for their unwavering support. It is your steadfast backing that empowers VELTA to achieve groundbreaking strides within the DeFi landscape.

The integration of amortizing loans into our DeFi platform signifies a watershed moment for blockchain technology, laying a robust foundation for the widespread adoption of DeFi services. Our unwavering commitment remains to furnish innovative and secure financial solutions tailored to meet the diverse needs of both the general populace and institutional entities.

3. LONG-TERM COLLATERALIZATION TOKEN : \$KLAT

We're excited to introduce the Collateralization Token, \$KLAT, affectionately termed "Kolot." This token epitomizes a groundbreaking leap within decentralized finance, presenting a volatility-resistant solution tailored for digital assets.

The \$KLAT Token operates as a utility token, holding a pivotal and distinct role within the DeFi lending framework on the VELTA platform. When users secure stablecoins (such as USDT) via our platform, they're required to furnish collateral. This collateral is then transformed into \$KLAT, a token minted by VELTA, establishing a benchmark value to ascertain the loan quantum.

The distinguishing feature of the \$KLAT Token lies in our commitment to facilitate its conversion, post-loan tenure, into a value denominated in FIAT currency or Stable Coin. This valuation is tethered to a recognized index, mirroring the performance of a segment of SCPI (Société Civile de Placement Immobilier) shares, with predefined and mutually agreed-upon terms, ensuring regulatory compliance.

Termed the "REDEEM" process, this mechanism fortifies borrowers and lenders alike against the caprices of digital asset volatility. By offering the flexibility to transmute their collateral into \$KLAT, borrowers can adeptly shield themselves from abrupt market oscillations. This trailblazing innovation underscores VELTA's steadfast dedication to fostering responsible advancements within the DeFi landscape.

We remain sanguine that the \$KLAT Token will bolster user confidence in our offerings, unlocking avenues for ambitious ventures necessitating steadfast and foreseeable financial backing.

4. COMBATTING GALLOPING INFLATION

It's imperative to underscore the significance of factoring in inflation when utilizing a token, even a stablecoin, as collateral for a DeFi loan. Despite their apparent stability, assets, including stablecoins, can be susceptible to the erosive effects of inflation on their real value.

That said, we're elated to unveil VELTA's pioneering solution tailored to counteract inflationary impacts: the \$KLAT collateralization token. Serving as a linchpin, this token provides a robust safeguard against inflation when employed as collateral for a DeFi loan within our platform.





The unique attribute of the \$KLAT token stems from its indexing to the value of a predetermined and reputable SCPI (in French : Société Civile de Placement Immobilier) share. Given that SCPIs encompass real estate assets, which inherently provide a hedge against inflationary pressures, the \$KLAT's value remains shielded against fluctuations induced by inflation. **It's pivotal to clarify that the \$KLAT is not a SCPI tokenization as an Real World Asset.**

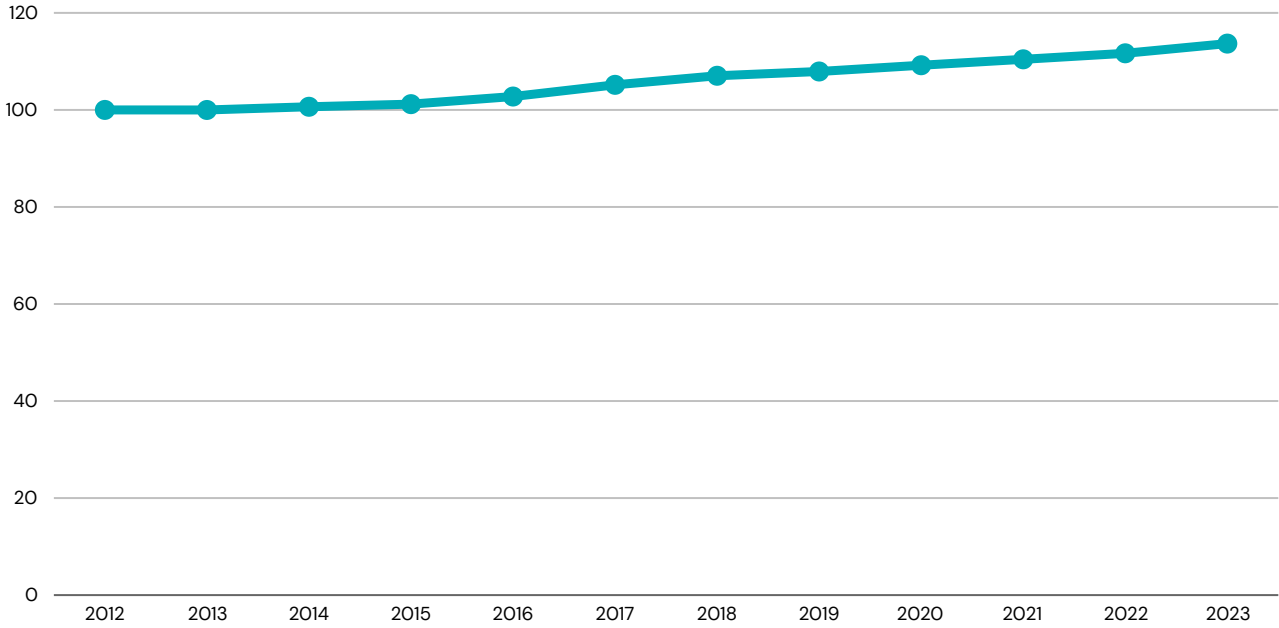
The \$KLAT token serves a singular, utilitarian purpose : to act as collateral for obtaining a stablecoin loan. Consequently, **it confers no additional rights or benefits to its holders.**

By anchoring its value to tangible assets like SCPI shares, the \$KLAT token emerges as a robust and resilient solution, furnishing borrowers and lenders on our DeFi platform with fortified protection against inflationary threats.

We firmly believe that the advent of the \$KLAT token signifies a monumental stride within decentralized finance, proffering an efficacious antidote to the debilitating impacts of inflation.

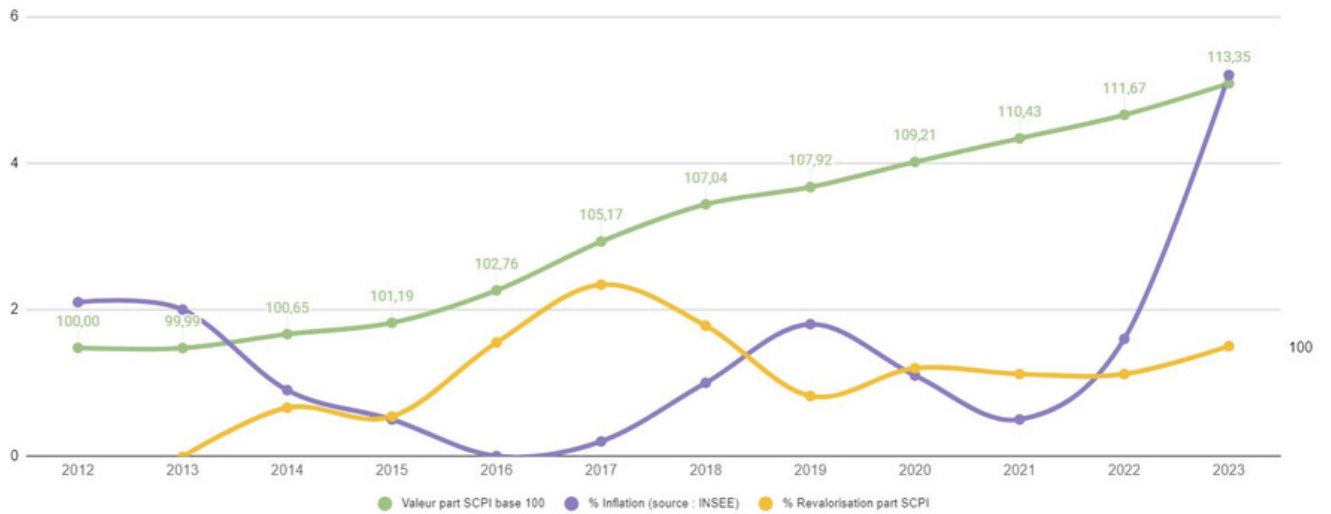


Graph: from a base of 100, average change in the share of SCPI, based on 219 French SCPIs



Source: French Association of Real Estate Investment Companies

Graph: Average evolution (calculated on a panel of 219 French SCPIs) compared to the evolution of inflation



Data source: French Association of Real Estate Investment Companies and INSEE data





D. DEFI SAVINGS VS TRADITIONAL SAVINGS

Asset Diversification stands as a cornerstone principle we aim to emphasize today. Adopting this approach is both prudent and astute, safeguarding and augmenting your financial resources by leveraging a variety of secure and time-tested investment avenues.

Within the realms of traditional banking and insurance, various savings instruments facilitate diversification. Prominent among these is the Livret A, renowned for its security and liquidity attributes, currently boasting an enticing net remuneration rate of 3% post-tax and social security deductions (with a maximum individual deposit limit of €22,950 for 2023).

Conversely, Passbook accounts offer a nimble alternative, granting easy accessibility to your funds while yielding an average pre-tax and social security return of 0.5%. However, specific conditions concerning maximum amounts or tiered yields may vary depending on the institution.

Furthermore, life insurance policies featuring euro-denominated funds present yet another avenue for diversifying your assets. As of 2022, the average yield stands at 2%, as per data from France Assureurs, prior to tax and social security levies. It's worth noting that the majority of life insurance contracts typically don't permit a full allocation solely in euro-denominated funds.

However, we're excited to introduce an avant-garde alternative that aligns with the digital financial evolution: Yield Farming on VELTA's DeFi platform. This innovative method serves as an additional avenue for diversifying your savings.

Yield Farming empowers you to optimize your dormant Stable Coins. Instead of letting them lie idle in a blockchain or crypto wallet, where inflation could steadily diminish their value, you can allocate them to a liquidity pool within VELTA's DeFi platform. In exchange for contributing to this Yield Farming pool, users reap the benefits of generated interest from their deposited funds.

The yield that users garner from Yield Farming hinges on the collective liquidity provided by participants and the interest levied by borrowers on the VELTA DeFi platform. Based on our projections, not only are these returns anticipated to be on par with traditional savings instruments mentioned earlier, but they might even eclipse them.

Nevertheless, it's crucial to underscore that while Yield Farming presents enticing opportunities, it's not without inherent DeFi-associated risks. At VELTA, our commitment lies in furnishing a secure platform and maintaining utmost transparency by disclosing :

- Total liquidity provided
- Aggregate borrowing amount
- Borrowing and return rates
- Cumulative Interest Paid
- Annual return rate
- Collateral valuation
- Available pool amount
- Liquidation trigger threshold
- And more, all presented with unwavering transparency.

In essence, by channeling stable coin assets into VELTA's liquidity pool, users play a pivotal role in bolstering the loan pool accessible to borrowers. This symbiotic relationship allows users to earn returns while actively contributing to real-world ventures, such as facilitating borrowers' real estate acquisitions.





E. REGULATION & TAXATION

1. REGULATORY CHALLENGES IN USING BLOCKCHAIN

The utilization of blockchain introduces a plethora of regulatory hurdles that necessitate attention to foster its widespread acceptance and evolution. Below are some of the primary challenges :

a) Ambiguous legal and regulatory landscape : Blockchain's inherent nature transcends geographical boundaries and jurisdictions, complicating the establishment of a cohesive and standardized regulatory framework. The current legislative frameworks might not align seamlessly with blockchain's distinctive attributes, fostering legal ambiguities for enterprises and individuals alike.

b) Stakeholder identification : The decentralized nature of blockchain often facilitates user anonymity or pseudonymity. This characteristic presents challenges in upholding regulations pertaining to anti-money laundering, counter-terrorism financing, and other illicit activities. Identifying the entities involved in transactions becomes intricate due to this anonymity.

c) Data Privacy Concerns : Blockchain's transparent and immutable nature raises potential issues surrounding privacy and the safeguarding of personal data. Certain jurisdictions mandate stringent regulations concerning the acquisition, retention, and utilization of personal information, potentially conflicting with foundational blockchain principles.

d) Governance of Smart Contracts : Smart contracts, operating autonomously on the blockchain, intersect with conventional legal systems, prompting inquiries about their enforceability and validity should disputes arise.

e) Accountability and Redress Mechanisms : The immutable nature of blockchain implies that rectifying errors or illicit transactions can be challenging. This scenario amplifies concerns about the liabilities of involved parties and the mechanisms to address discrepancies.

f) Safeguarding Investors : The realm of blockchain-based ventures, notably Initial Coin Offerings (ICOs), has witnessed instances of fraudulent activities and scams. Regulatory bodies are actively formulating stringent guidelines and protocols to shield investors from potential risks.

g) Bridging with Established Financial Systems : The integration of blockchain into legacy financial infrastructures presents intricate regulatory hurdles. Authorities aim to discern how blockchain can harmoniously coalesce with prevailing financial systems while mitigating systemic vulnerabilities.

h) Regulatory Disparities in DeFi : It's crucial to recognize that decentralized finance (DeFi) regulations differ across jurisdictions. A harmonized and exhaustive regulatory framework remains a work in progress. Collaboration among industry stakeholders, regulatory bodies, and governments is imperative to foster responsible growth within DeFi while safeguarding stakeholders.

Our Commitment : From VELTA's inception, prioritizing user welfare has been paramount. This ethos is embedded within VELTA's operational framework, ensuring transparency and prudent communication akin to established financial institutions. Detailed practices governing VELTA's DeFi platform operations can be found in sections G4 and G7.

We staunchly believe that blockchain and cryptocurrency sectors necessitate robust regulations primarily centered on user protection. Crafting and refining such regulations demand collaborative efforts involving industry frontrunners, leveraging their expertise and insights. This collaborative approach becomes pivotal, especially when regulatory bodies often grapple with evolving challenges due to information gaps in these nascent domains.



2. LEGAL FRAMEWORK AND EVIDENCE FOR REAL ESTATE LOANS ON DEFI

We recognize the paramount importance of establishing a clear and traceable record, especially within the swiftly evolving DeFi realm. Typically, borrowing on DeFi platforms via smart contracts occurs seamlessly, with each transaction meticulously documented on the blockchain.

However, we acknowledge that such automated processes might occasionally overlook the provision of tangible evidence for borrowers, akin to the paper-based documentation frequently mandated in conventional financial settings. This is precisely where VELTA distinguishes itself.

At VELTA, we're pioneering an innovative approach to furnish borrowers with tangible, legally valid evidence for their DeFi transactions.

When engaging with VELTA's DeFi platform, the associated smart contract not only records transactional data on the blockchain but also facilitates the generation of an official, verifiable documentation. This documentation can be availed in either paper or electronic formats, tailored to individual preferences. Crafted in adherence to prevailing legal standards, these documents substantiate your loan particulars, encompassing terms, conditions, and pertinent details.

Whether your requirement pertains to tax obligations, accounting necessities, legal prerequisites, or simply to bolster your confidence, VELTA stands ready to furnish the requisite documentation to authenticate your DeFi borrowing endeavors.

VELTA remains steadfast in its mission to redefine DeFi's boundaries while upholding paramountcy in security, compliance, and user trust. We ardently believe that pioneering innovations must harmoniously blend with the pragmatic necessities of our user base and the regulatory imperatives of the financial landscape.

3. TAX CONSIDERATIONS RELATED TO BLOCKCHAIN-BASED REAL ESTATE TRANSACTIONS

We aim to shed light on a pivotal facet of real estate investment, a domain intricately intertwined with both our residential sanctuaries and financial aspirations. When embarking on real estate endeavors, there emerge three primary lending objectives, each ushering in unique tax ramifications: primary residence acquisition, secondary residence acquisition, and rental property investment.

In the sphere of rental property investments, owners typically accrue income through tenant rentals. Nonetheless, this revenue isn't exempt from income taxation. To alleviate this fiscal encumbrance, many adopt a prevalent strategy: offsetting the rental income by deducting expenses linked to property management and upkeep. However, the paramount advantage lies in the ability to deduct loan interest from the accrued rental income. This pivotal deduction wields substantial implications, curtailing the net rental income and consequently mitigating the income tax liability.



Especially pertinent within the realm of rental investments, this strategy involves property owners collecting rent from their tenants.

Yet, this rental income is not exempt from income taxes. To mitigate this fiscal liability, a prevalent tactic is to subtract from the collected rent all expenditures associated with property management and upkeep. However, the primary benefit emerges when owners can deduct loan interest from this rental income. Such a deduction carries weight: it diminishes the net rental income, thereby facilitating a decrease in the income tax owed.

Nonetheless, a conundrum persists within the decentralized finance (DeFi) landscape. To date, no DeFi platform has successfully furnished tangible, legal evidence of the loan interest paid over a fiscal year. This gap has sown seeds of uncertainty among DeFi investors keen on leveraging the tax advantages linked to interest deductions.

This is precisely where VELTA steps in.

With VELTA at the helm, DeFi participants engaged in real estate ventures gain the capability to produce an annual statement delineating the loan interest they've disbursed. These bona fide and verifiable records can be tendered to the pertinent tax authorities, furnishing robust and incontrovertible evidence of all interest deductions made.

At VELTA, our mandate is to instill clarity, assurance, and safety into the DeFi investor community. We recognize that adhering to tax regulations is pivotal for fostering a robust and sustainable financial ecosystem. Through VELTA, we proactively address this pressing issue, offering DeFi investors a seamless and dependable avenue to document their interest on borrowings.





F. ADOPTION AND FUTURE OUTLOOK

1. BENEFITS OF BLOCKCHAIN ADOPTION IN REAL ESTATE

Blockchain, serving as a decentralized and fortified ledger, is profoundly reshaping the landscape of real estate lending and management. The ubiquity of this technology unlocks fresh avenues for borrowers across diverse backgrounds, dismantling geographical and socio-economic barriers that might otherwise hinder access to financial resources.

A paramount benefit of employing blockchain in real estate lending lies in its inherent equity. Uniform criteria are applied to all, devoid of human bias or favoritism. Consequently, each potential borrower undergoes an objective assessment based on predetermined parameters, engendering a lending environment characterized by fairness and transparency.

Furthermore, the pivotal matter of collateral finds enhanced solutions within blockchain's framework. By facilitating digital collateral mechanisms, blockchain ensures the integrity of loans. This innovative approach empowers borrowers to pledge digital assets as collateral, streamlining the system's efficiency while curbing risks for lending institutions.

Incorporating blockchain into real estate lending amplifies both security and transactional traceability. Every facet of the lending journey, spanning from loan initiation to its culmination, is meticulously and immutably documented on the blockchain. Such transparency curtails the susceptibility to fraudulent activities, thereby bolstering trust and confidence in the entire ecosystem.



By championing decentralization and affording individuals increased autonomy, blockchain heralds a transformative future for real estate lending. Our belief is anchored in democratizing access to finance, and we remain steadfast in our dedication to incessantly innovate, striving to render this process more seamless, equitable, and advantageous for everyone.

2. BARRIERS TO BLOCKCHAIN ADOPTION IN REAL ESTATE LENDING

Up to this point, discussions about long-term loans, particularly those spanning up to 25 years for home mortgages, have encountered obstacles that have tempered the full integration of blockchain technology within real estate lending and longer durations. While blockchain presents transformative possibilities, it's crucial to acknowledge and surmount impediments that might deter certain stakeholders from harnessing its advantages.

Presently, DeFi lending platforms predominantly cater to short-term borrowing needs. In other words, these platforms are frequented by speculators who borrow for brief intervals—hours, days, or weeks—primarily aiming to leverage these funds swiftly in the market for immediate profits and reclaim their collateral before potential liquidation.

A primary impediment emerges from the mandatory collateral requirement. Recognizing that this model might not resonate with all borrowers, we advocate for an inclusive financial landscape where every participant can tap into innovative financing solutions without unnecessary hindrances. Rest assured, we're diligently working on this front, and we'll share our findings and insights in due course.

The subsequent challenges relate to the volatility of collateral and the associated risk of liquidation. The inherent unpredictability of digital assets serving as collateral can lead to unstable valuations, heightening the risk of abrupt liquidations and injecting unforeseen uncertainties into transactions.

Enter Velta with a groundbreaking solution. Leveraging our legal and financial acumen, we've pioneered a novel asset category termed the "Collateralization Token." Crafted to instill essential stability, this token is anchored to values historically mirroring inflation trends, thereby mitigating liquidation risks. This avant-garde approach curtails undue collateral volatility, substantially diminishing unexpected liquidation risks.

By surmounting these challenges, we're setting the stage for a broader embrace of blockchain technology within the realm of real estate lending.



3. FUTURE PROSPECTS FOR VELTA AND THE CHALLENGES AHEAD

VELTA was meticulously crafted to unlock novel opportunities and redefine the landscape for all participants within lending and decentralized finance.

By adeptly addressing challenges related to volatility, liquidation risks, and collateral devaluation stemming from inflation, VELTA has spearheaded a transformative shift in home lending and its broader applications. Our trailblazing methodology, epitomized by the inception of the Collateralization Token asset category, introduces unparalleled stability to lending operations, proffering a trustworthy avenue for both borrowers and investors alike.

This innovative framework not only tackles specific impediments but also broadens horizons, catalyzing increased adoption of our platform. By facilitating long-term loans, VELTA garners credibility and trust from individual borrowers, businesses, industrial magnates, and institutions alike. Envision corporations securing extended loans to bolster expansion endeavors, spearhead significant real estate refurbishments, or pioneer investments in state-of-the-art technologies.

The potential avenues are expansive and multifaceted. VELTA emerges as a conduit for loans that transcend conventional limitations. Whether it's real estate ventures, entrepreneurial ventures, or large-scale industrial enterprises, all stand to gain from the stability intrinsic to our long-term lending solutions. We're forging a paradigm shift in the allocation and utilization of financial resources, cultivating an ecosystem underscored by trust, transparency, and security.

Consider a green technology enterprise securing funds to expedite the deployment of eco-conscious solutions, or a financial entity bolstering groundbreaking real estate ventures through our technology-backed extended loans. It's these transformative prospects that fuel our passion and underscore VELTA's pivotal role within the decentralized finance realm.

4. IS IT POSSIBLE TO BORROW VIA THE VELTA DEFI PLATFORM WITHOUT PROVIDING COLLATERAL ?

VELTA's resounding response is a definitive YES.

Leveraging our deep-rooted expertise in legal, financial, and tax domains, we've pioneered a groundbreaking solution. This innovation empowers individuals to secure loans via our DeFi platform, enabling them to acquire real estate without the traditional collateral requirements, all while ensuring robust security and guaranteed liquidity for pool participants.

While we've made substantial strides in the conceptual phase, the true litmus test lies in real-world application. The forthcoming phase 10 of our roadmap marks the commencement of our experimental endeavors. Embarking on this phase necessitates substantial financial commitment and human capital investment.



Initially, the implementation will be geographically constrained and will operate within a tightly controlled financial volume. Subsequently, as the solution garners empirical validation, we plan to broaden its scope, encompassing larger territories and increased financial capacities.

Naturally, the criteria for evaluating and accepting loan applications will diverge from traditional collateral-based methods.

This initiative is poised to usher in a novel economic paradigm, enabling global operators (web3 brokers) to collaborate within a groundbreaking ecosystem established in partnership with VELTA.





G. ROADMAP AND OPERATIONAL IMPLEMENTATION OF THE PROJECT

VELTA intends to progress systematically, advancing from one phase to the next as each phase reaches its completion.

PHASE 1 : BUILDING THE COMMUNITY +200,000 MEMBERS

We believe that even the most groundbreaking and revolutionary projects can fade into obscurity if they aren't actively discussed and promoted.

That's why VELTA places great importance on cultivating a robust community that remains informed about the advancements outlined in our roadmap and actively spreads the word to those unfamiliar with VELTA.

As a token of appreciation for our dedicated community members, we plan to distribute Community NFTs (Non-Fungible Tokens) through random allocations in exchange for specific actions performed.



These NFTs come with a unique feature: should VELTA achieve success — which inherently translates to the success of each community member — VELTA commits to purchasing these NFTs from their holders. The price for these NFTs will be predetermined, and holders will have earned them by successfully completing specified actions prior to receiving their Community NFTs.

The distribution of these 200,000 Community NFTs is as follows :

Category 1 :
1\$ x 127,800 NFTs = \$127,800

Category 2 :
5\$ x 57,800 NFTs = \$289,000

Category 3 :
50\$ x 12,800 NFTs = \$640,000

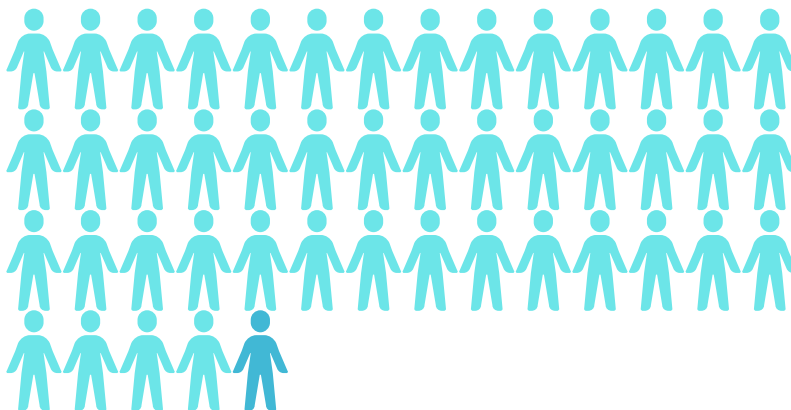
Category 4 :
100\$ x 1,000 NFTs = \$100,000

Category 5 :
500\$ x 500 NFTs = \$250,000

Category 6 :
1000\$ x 100 NFTs = \$100,000

Bonus :

\$50,000 will be randomly allocated to one individual who holds one of these Community NFTs and has successfully completed the required actions at the time of the NFT's allocation. The total allocation across all categories sums up to \$1,511,800.



What does “Success” mean for VELTA?

For VELTA to trigger the automated purchase of NFTs, the company must have issued a minimum of \$200 million in Collateralization Tokens (\$KLAT), which need to be deposited as collateral on VELTA's DeFi platform. This threshold of \$200 million must be consistently maintained for a duration of at least 12 consecutive months.

What actions are requested?

The potential community member must:

- Subscribe to the official Velta Twitter account (called X)
- Subscribe to the official VELTA board accounts on Twitter (X)
- Share 2 Tweets designated by VELTA
- Mark accounts of at least 4 people in shared Tweets
- Communicate the reception address of the Community NFT
- Communicate the name of the Twitter account (X) which carried out these actions so that VELTA can verify

For more information and to participate: <https://community.velta.org>

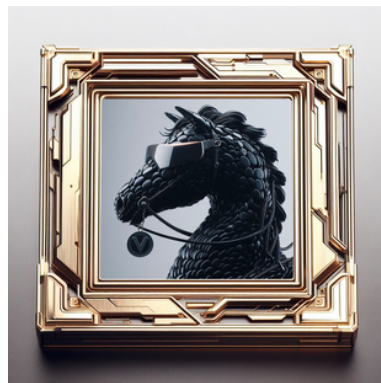


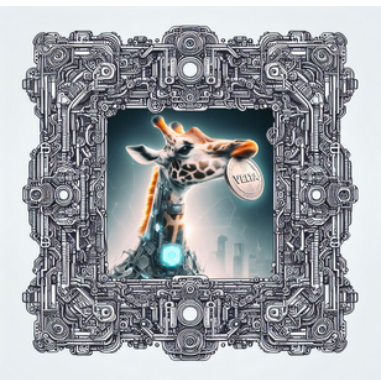
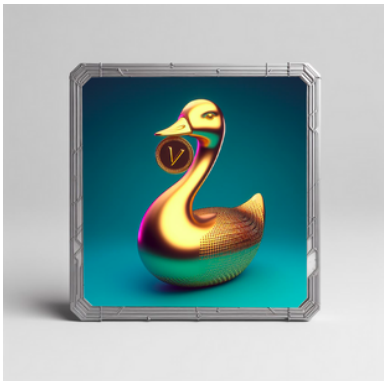
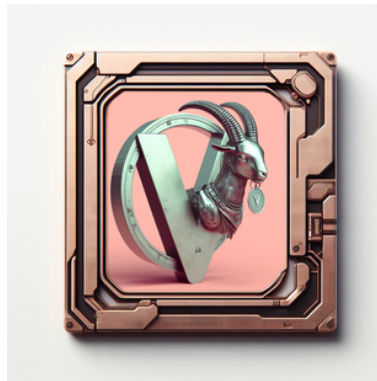
Here are the NFTs:

We intentionally arranged these NFTs in a random sequence; some are more unique than others. The quantity doesn't signify their category. These NFTs are tradable assets.

If VELTA attains its specified success criteria as detailed on page 47, then the NFT holder will benefit from the pre-determined redemption campaign price outlined in the terms and conditions of participation. These terms and conditions can be reviewed on the VELTA website.

These 21 NFTs were compiled into a PDF in A4 format across two pages. Each NFT is labeled with its respective category and number. This PDF was then submitted to the National Institute of Industrial Property's "e-soleau" service to authenticate the specific date and the matching of category and copy numbers.





PHASE 2: PRIVATE FUNDRAISING AND SEED CAPITAL

When VELTA achieves a membership milestone of 50,000 individuals, it will initiate a private fundraising round aimed at securing seed capital. This fundraising effort will be both limited in scope and size. VELTA's ownership structure, encompassing both the parent and subsidiary entities, will be streamlined to its most minimal configuration. Additionally, the company will opt for business domiciliation centers to curtail costs until the completion of phase 6.

This calculated approach to private fundraising is designed to instill confidence among ICO participants. By ensuring that there won't be extensive sell-offs from those who partook in the initial fundraising, VELTA aims to circumvent potential market volatility or "dumping" scenarios immediately following the ICO.

PHASE 3: CREATION OF BUSINESSES WITH SEED CAPITAL

With the infusion of seed capital, the necessary legal formalities will be undertaken to establish the corporate entities, ensuring an efficient cost structure. Initially, two distinct companies will be formed: a parent company and its subsidiary.

The primary responsibility of the parent company will be to oversee financial operations and devise overarching strategic initiatives. On the other hand, the subsidiary will focus on executing real estate transactions, managing related operations, and securing requisite approvals. This bifurcation of responsibilities ensures a streamlined operational approach, with each entity specializing in its designated domain.

PHASE 4: VISA AMF ICO PROCEDURE

Once the companies are established and structured, our next step will be to initiate the process with the Autorité des marchés financiers (AMF / the French SEC) to secure approval for launching an Initial Coin Offering (ICO). This strategic move underscores our commitment to regulatory compliance and paves the way for a transparent and legally sound fundraising initiative.

PHASE 5: OFFICIAL ICO

When VELTA achieves a membership milestone of 200,000, we will initiate the official Initial Coin Offering (ICO) with a minimum fundraising target set at \$28 million. The token designated for this ICO will be named \$VTA (Velta), with a "circulating supply" capped at 300,000,000 \$VTA. During the initial stages of the ICO, the offering price will be set at 1 \$VTA = \$0.28. This strategic move aims to facilitate broader participation and fuel the growth and development of VELTA's ecosystem.

GLOSSARY:

AMF = Autorité des Marchés Financiers (the french SEC)

IOBSP = Intermédiaire en Opérations de Banques et Services de Paiements (The IOBSP, a title issued by the AMF (Autorité des marchés financiers), or Intermediary in Banking Operations and Payment Services, is a professional who acts as an intermediary between a client and a financial institution. Their primary role is to facilitate connections between borrowers and lending institutions or payment service providers.

ORIAS = "Organisme pour le Registre des Intermédiaires en Assurance, Banque et Finance" is a French organization whose primary mission is to maintain a register of intermediaries operating in the insurance, banking, and finance sectors. It ensures the qualification and regulation of these intermediaries to ensure transparency and protection for consumers.

PSAN = The PSANs (Digital Asset Service Providers) are companies that provide services such as digital asset exchange or crypto portfolio management. To engage in these activities, the company must submit a PSAN registration file to the Financial Markets Authority (AMF).

VISA AMF = With the PACTE law, token public offers can receive a visa from the Financial Markets Authority (AMF), indicating the document's completeness and clarity for investors.



Here are the specific characteristics and guidelines related to the \$VTA token :

- 1. Fixed Supply** Post-ICO, VELTA will not generate additional \$VTA tokens. The maximum limit set for \$VTA issuance stands at 300 million tokens. Consequently, the number of \$VTA tokens in circulation can only decrease over time due to mechanisms like burning.
- 2. Token Burn Strategy** VELTA commits to acquiring and subsequently burning a designated quantity of \$VTA tokens each quarter. The exact amount of \$VTA tokens to be purchased and burnt will be determined as a percentage of VELTA's turnover. This percentage will be periodically decided upon by the VELTA Foundation's Board of Directors.
- 3. Self-Sustaining Model** VELTA aims for financial independence by avoiding the need to sell \$VTA tokens to raise capital. Instead, the primary growth strategy revolves around generating revenue through its investments in the real estate sector, which will yield consistent income streams. This approach aims to ensure that the price of \$VTA remains determined solely by market dynamics, eliminating concerns related to token dumping by the issuing entity.
- 4. Trust Building** VELTA emphasizes building and maintaining trust within its community. As a result, the organization has decided not to conduct airdrops of \$VTA tokens.
- 5. Utility within VELTA Ecosystem** \$VTA serves as the utility token underpinning various decentralized applications (Dapps) that are slated to be introduced within the VELTA ecosystem, enhancing its functionality and utility.

Through these measures and strategies, VELTA aims to establish a robust, transparent, and self-sustaining ecosystem around the \$VTA token, fostering trust and facilitating its broader adoption.

Here's a structured breakdown detailing the allocation of the \$VTA tokens :

First Envelope :

- **Private Fundraising (Stage 0)** 1.6 million \$VTA tokens are earmarked for private fundraising in the initial stage.
- **Stage 1 Public Sale** Subsequently, 130 million \$VTA tokens will be made available for public purchase during the first ICO stage. Any unsold tokens by the end of this stage will be subject to burning until the quantity is reduced to 30 million \$VTA.
- **Stage 2 Public Sale** In the subsequent ICO stage, 58.4 million \$VTA tokens are allocated for public sale. If these tokens remain unsold by the end of this stage, up to 28.4 million \$VTA can be burned, depending on the sale status.

Second Envelope :

- **VELTA DeFi Platform** A total of 80 million \$VTA tokens are set aside to facilitate the VELTA DeFi platform. These tokens will be utilized to reward initial liquidity providers with a compounded rate of return. Additionally, these tokens will ensure ample liquidity during the \$VTA listing phase on various Exchange platforms, including both DEX and CEX.

Third Envelope :

- **Partners and Service Providers** 10 million \$VTA tokens are allocated to compensate partners and other service providers associated with VELTA's operations and ecosystem development.

Fourth Envelope :

- **Founders' Reserve** A conservative allocation of 20 million \$VTA tokens is reserved explicitly for the founders. This reserved amount is strategically set to foster trust and confidence among the VELTA community and the broader public. Notably, the founders' share of \$VTA tokens constitutes only 6.67% of the total token supply, underscoring VELTA's commitment to a sustainable business model that isn't contingent on token market sales.



Step 0 : Raising private funds

REGISTERED	VALUE
Quantity of \$VTA on sale	1 600 000 \$VTA
Price	0.20 \$US
Targeted capitalization	320 000 \$US
Burn	Non

Stage 1 : Middle wait ICO

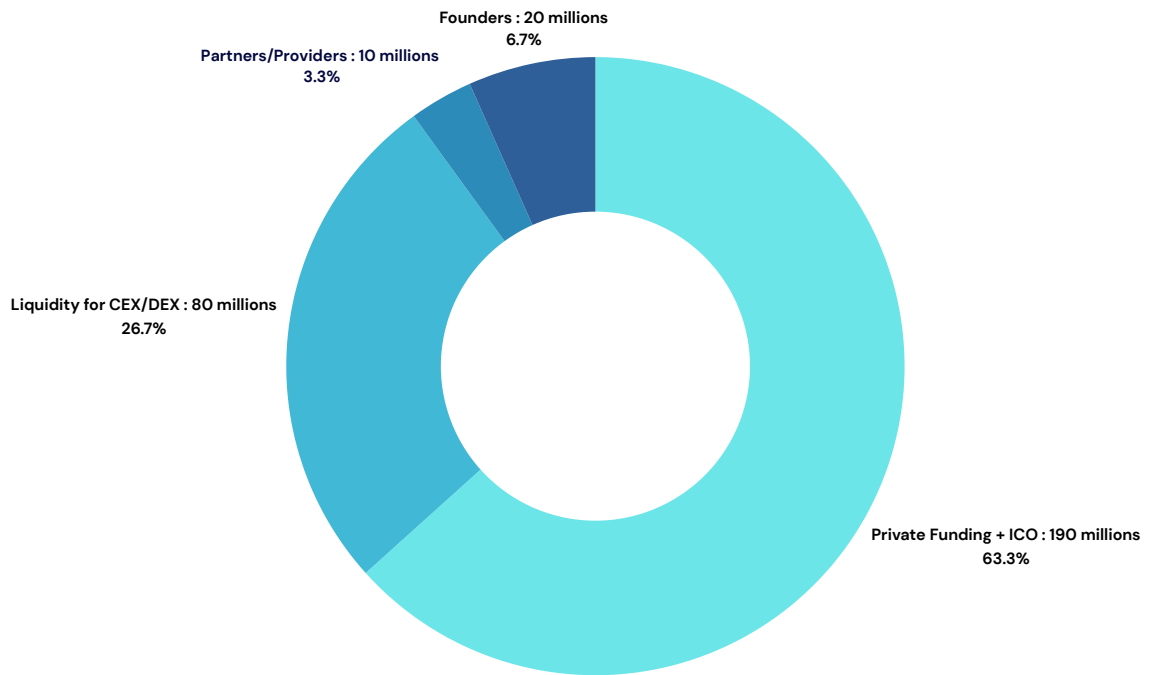
REGISTERED	VALUE
Quantity of \$VTA on sale	130 000 000 \$VTA
Price	0.28 \$US
Targeted capitalization	28 000 000 \$US
Burn	Yes: Everything else not sold
Max amount of \$VTA in burn	30 000 000 \$VTA



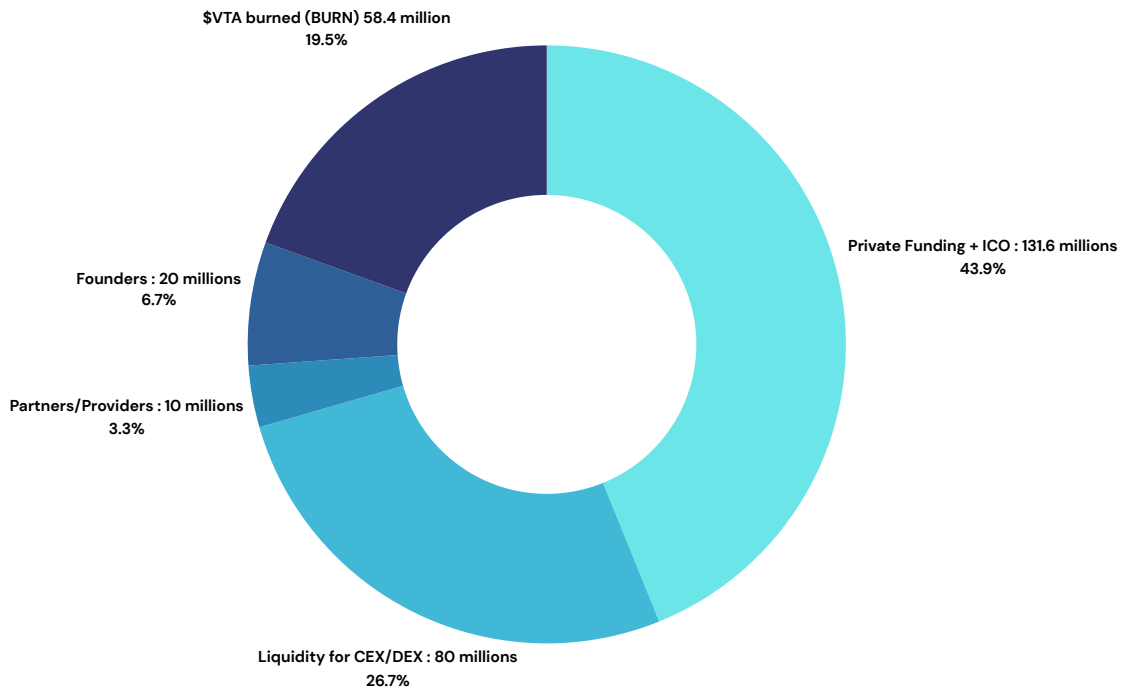
Stage 2 : Final ICO sale

REGISTERED	VALUE
Quantity of \$VTA on sale	58 400 000 \$VTA
Price	0.33 \$US
Targeted capitalization	Until the end of the timing
Burn	Yes: everything else not sold
Max amount of \$VTA in burn	28 400 000 \$VTA

1. Pie chart representing the distribution in % without taking into account a burn situation. Supply: 300M



2. Pie chart representing the distribution in % which takes into account the maximum quantity of \$VTA burned. Supply: 181.6M



PHASE 6 : COMPAGNIES CAPITALIZATION

Upon the completion of the ICO, all funds will be directed towards capitalizing the companies. The equity capital of each entity will be augmented. Their registered addresses will transition to their permanent headquarters, which will be their physical location.

PHASE 7 : LAUNCH OF PSAN, IOBSP AND ORIAS PROCEDURES

VELTA, leveraging the expertise of its managers, will initiate the PSAN, IOBSP, and ORIAS procedures with the relevant authorities. This will enable VELTA to conduct KYC (Know Your Customer) activities when required, obtain the official designation as a broker seeking financing, act as intermediaries in banking operations and payment services, and eventually provide insurance solutions and products in the medium to long term.

PHASE 8 : SUBSCRIPTION TO SCPI SHARES BY THE REAL ESTATE SUBSIDIARY

VELTA, via its real estate subsidiary, intends to acquire SCPI (Société Civile de Placement Immobilier) shares from partnered management firms. The generated yield will bolster turnover and fund VELTA's growth. We prioritize top-tier SCPIs with capitalizations surpassing 1 billion euros and a track record spanning from 20 to over 40 years.

PHASE 9: DEPLOYMENT OF THE DEFI 3.0 VELTA PLATFORM

With our financing strategy for VELTA's development, we are poised to fund the rollout of the DeFi 3.0 VELTA platform.



PHASE 10: RESEARCH AND DEVELOPMENT ON THE USEFULNESS OF BLOCKCHAIN FOR THE NEEDS OF THE REAL ECONOMY

From its inception, VELTA was crafted as an ecosystem poised to enable numerous independent operators to integrate their activities with VELTA's decentralized finance platform. We envision VELTA as the catalyst for a novel global business model.

At the right juncture, VELTA will unveil the outcomes of its deliberations and research.

It's crucial to understand that VELTA aims to synergize the strengths of blockchain technology with the requirements of conventional finance and the imperatives of the tangible economy.





H. CONCLUSION

1. SUMMARY AND BENEFITS OF THE VELTA PLATFORM

The VELTA ecosystem stands as a groundbreaking financing platform designed to address your financial requirements transparently and innovatively.

Here's a brief overview of the primary benefits VELTA offers :

- **Extended Financing Span of Up to 25 Years :** With VELTA, you gain access to extended financing options spanning up to 25 years. This remarkable timeframe enables you to strategically plan for various endeavors, whether it's acquiring a primary residence, diving into real estate ventures, launching a business, or pursuing any other project that demands long-term financial support.
- **Amortizing Financing Aligned with Traditional Banking Norms :** At VELTA, we prioritize stability and predictability. Our amortizing financing mirrors the structures found in conventional banking institutions, ensuring you benefit from a familiar repayment scheme tailored to your specific requirements.



04

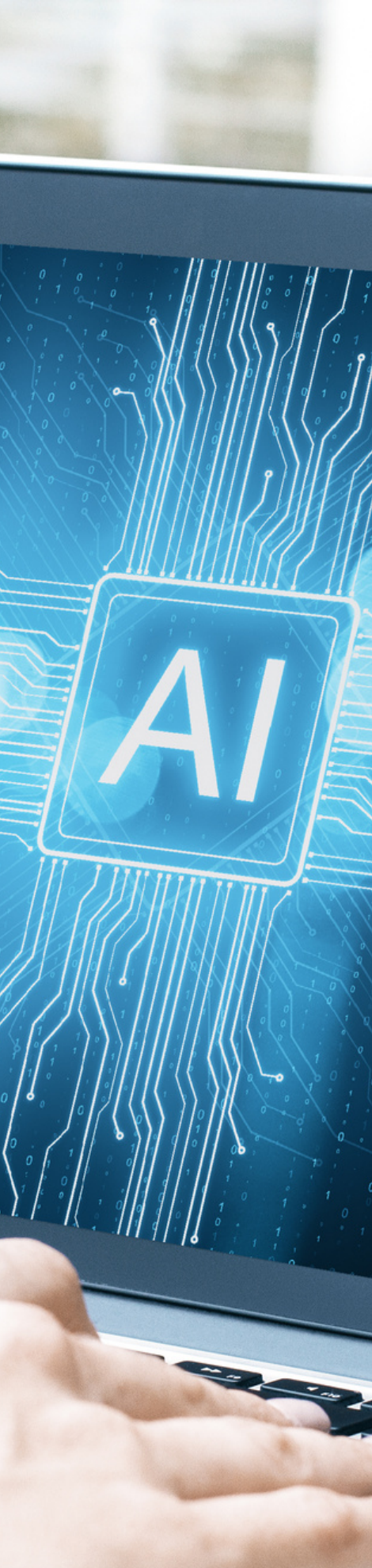
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148,000

- **Annual Loan Interest Payment Certificates and Updated Amortization Tables** : Committed to utmost transparency, VELTA leverages public blockchains to consolidate data, facilitating the issuance of annual loan interest payment certificates upon request. This approach streamlines your tax and administrative processes. With IOBSP certification in hand, VELTA furnishes you with personalized, verifiable certificates, rooted in official documentation, catering especially to the accounting prerequisites of real estate investments.
- **Equal Opportunity, Free from Discrimination** : Through the DeFi VELTA platform, equity stands as a cornerstone of our ethos. All financing candidates navigate the same impartial regulations outlined in our smart contract. Consequently, everyone enjoys an equal footing in securing the financial support they require, barring countries where regulatory constraints preclude VELTA's service categories.
- **Groundbreaking Collateralization Token Mechanism** : Our Collateralization Token mechanism signifies a paradigm shift. It ensures that your pledged collateral remains safeguarded against market fluctuations, granting you peace of mind while securing the requisite financing.
- **Value Tied to SCPI Shares to Combat Inflation** : The VELTA Collateralization Token derives its value from SCPI shares, enabling you to counteract inflationary pressures and preserve the worth of your collateral. This strategy furnishes you with heightened financial resilience and safeguarding measures.



5.89
1.67



2. VELTA'S OUTLOOK FOR THE FUTURE OF USING BLOCKCHAIN TECHNOLOGY FOR REAL-LIFE NEEDS

The inception of VELTA emerged from extensive contemplation on harnessing blockchain technology for the tangible benefits of the real economy and conventional finance. We envision blockchain as a transformative force capable of reshaping project financing and addressing financial requirements more effectively.

Here's a glimpse into the visions propelling VELTA's future trajectory :

- **Long-Term Financing** : A Necessitated Evolution. As we move forward, long-term financing is poised to revolutionize how we approach real estate acquisitions and cater to industrial financing and sustainable development initiatives. Our intellectual endeavors are centered on devising innovative frameworks to bolster these pivotal economic sectors, fostering avenues for sustainable advancement.
- **DeFi Inclusivity** : Embracing Businesses and Institutions: While our DeFi platform was initially conceptualized for individual users, its credibility anchored in blockchain technology is paving the way for broader acceptance among businesses and institutions.
- **AI** : The Cornerstone of Future Financial Landscapes: Envisioning a future where Artificial Intelligence seamlessly integrates with our DeFi platform, we anticipate enhanced transactional efficiency, operational autonomy, and groundbreaking opportunities within the financial and real economic spheres.



VELTA remains steadfastly future-oriented. Our commitment lies in continuously probing the frontiers of blockchain innovation to deliver financial solutions that are equitable, inclusive, transparent, and readily accessible.





BECOME A PART OF THE VELTA COMMUNITY!

You wield the future of finance right at your fingertips. Prepare to witness how VELTA is reshaping the financial landscape through the power of blockchain technology. But the narrative doesn't stop there!

We extend an invitation for you to actively engage with our VELTA community, offering a distinctive pathway to be part of our journey.

How? It's a straightforward process, encapsulated in 4 steps!

In acknowledgment, you'll receive a unique NFT, granting you membership status within the VELTA community. This affiliation entitles you to exclusive benefits, which we'll unveil in due course.

But hold on, the plot thickens!

Once VELTA issues Collateralization Tokens surpassing \$200 million, we commit to acquiring your NFT at a predetermined price. Seize this remarkable opportunity to reap the rewards of your early allegiance to VELTA.

Don't let this pivotal moment slip through your fingers. Align with us in this financial metamorphosis, secure your NFT, and collaboratively shape the VELTA ecosystem.

To embark on this journey : <https://community.velta.org>





VELTA

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polygon

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ethereum

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