PACT
CONSORTIUM

PACT Foundation Whitepaper v0.01

Unlocking Human Potential Through Financial Inclusion

Mission

Over the past decade, decentralized finance (DeFi) has promised to revolutionize the global economy by lowering individual transaction costs and expanding access to credit. Yet, despite its transformative promises, much of DeFi innovation has remained insular, focusing on blockchain-native ecosystems with limited real-world impact. In contrast, the challenges of traditional financial systems are particularly pronounced in emerging markets, where inefficient payment rails, high counterparty risks, and costly audits drastically inflate the cost of capital. These systemic barriers hinder economic growth, leaving billions of individuals and businesses excluded from financial systems.

The PACT Foundation's mission is to bridge this gap by creating the world's leading decentralized financial ecosystem, empowering human potential through equitable access to credit and financial services. By increasing financial inclusion and reducing the cost of credit, particularly in emerging markets, PACT enables borrowers, originators, and investors to thrive in a transparent, efficient, and scalable financial environment.

At the heart of this mission is the PACT Protocol, a permissioned smart-contract platform that powers loan origination, payments, warehousing, and securitization fully on-chain. The protocol is designed to connect borrowers with global capital and provides a standardized and transparent lending framework while leveraging blockchain technology to streamline financial processes. Initial development was led by Pact Labs, which continues to support the ecosystem with tools such as dashboards, APIs, and SDKs to simplify integration for originators.

The PACT Foundation is a decentralized autonomous organization (DAO) structure governed by the $PACT token. This governance model incentivizes long-term ecosystem participation through staking rewards and borrower incentives, further driving financial inclusion and responsible financial behavior.

Table of Contents

1. Structural Barriers to Financial Inclusion in Emerging Markets

1.1. Inefficiencies in financial services

A range of inefficiencies inherent in the structure of financial services mars lending. Each stage of the lending and securitization process necessitates multiple layers of intermediaries and administrative oversight, including custody, trustee services, reconciliation, and compliance. Though essential to current systems, these roles often act as rent-seeking layers, driving up costs for consumers, originators, and investors.

Securitization—a key mechanism for raising credit—is particularly burdened with inefficiencies and high costs. The process involves several stages, each of which incurs substantial costs that are disproportionately high for smaller operators. Key cost drivers include:

- **Warehousing Costs:** Loans are aggregated by warehouse lenders, requiring multiple audits to ensure compliance and accuracy. Each re-audit adds significant expense.

- **Special Purpose Vehicle (SPV) Formation:** Loans are transferred into an SPV or trust to isolate financial assets and enhance creditworthiness. This step involves legal and trustee fees.
- **Auditing and Underwriting Fees:** Independent auditors validate loan pools, while underwriters re-evaluate loans to ensure conformity with original policies. Each stage incurs additional costs.
- **Rating Agency Fees:** To attract investors, securitized products are rated by agencies that conduct thorough risk assessments for a fee.

These costs amount to around 1% of total loan value but include fixed costs, making securitization only economically viable for large-scale loan books. Regardless of securitization, many asset classes suffer from opaque practices and illiquidity, leading to elevated transaction costs and risk premiums. The net effect is a significant reduction in capital availability and increased credit costs for borrowers.

1.2. Amplified inefficiencies in emerging markets

The underdeveloped financial infrastructure and fragmented ecosystems in most emerging markets magnify inefficiencies in financial services. A lack of standardized methods for value assessment, high operational costs, and limited access to reliable credit data exacerbate the problem. Traditional financial institutions often perceive these markets as high-risk, deterring investments due to counterparty risks, payment rail challenges, and operational hurdles.

These challenges contribute to billions of people remaining unbanked or underbanked in emerging markets. According to the World Bank, approximately 1.4 billion adults globally were unbanked as of 2021, with the majority concentrated in emerging markets across regions like Africa, South Asia, and Latin America[1]. These populations face exorbitantly high interest rates, lack of established credit histories, and inefficient lending processes that exclude them from formal financial systems.

The high costs and inefficiencies of securitization are significant barriers to improving access to credit in these markets. Smaller loan sizes and the smaller loan books of emerging market fintech generally make securitization unfeasible. As a result, small businesses and individual

[1] https://www.worldbank.org/en/publication/globalfindex

borrowers struggle to secure affordable credit, which stifles entrepreneurship, economic expansion, and financial inclusion.

1.2.1. The Untapped Potential of Emerging Markets

Unlocking access to credit in emerging markets could yield significant economic benefits. The International Finance Corporation (IFC) and the SME Finance Forum estimate that the global credit gap for micro, small, and medium enterprises (MSMEs) in developing countries is approximately $5.2 trillion annually[2]. Closing this gap could significantly boost these markets' economic growth and job creation. Furthermore, expanding financial inclusion by integrating the unbanked into the formal economy could lift millions out of poverty and significantly increase economic activity. Achieving full financial inclusion could boost the GDP of emerging economies by $3.7 trillion by 2025, lifting 95 million people out of poverty and generating substantial additional revenue for financial service providers, according to a report by McKinsey Global Institute[3].

The economic potential extends to broader societal impacts. Improved access to credit enables small businesses to grow, creates jobs, and drives infrastructure development. It also empowers individuals by facilitating access to education, healthcare, and housing, all contributing to long-term economic stability.

1.3. Emerging market fintechs are growing rapidly but struggle with access to credit

The fintech landscape in the Global South is expanding rapidly, driven by high mobile penetration, digital payment adoption, and a large unbanked population:

- **Africa:** Home to over 2,600 fintech companies, concentrated in markets like Nigeria, Kenya, South Africa, and Egypt. Fintech adoption rates are around 50%, and the sector is expected to grow thirteenfold to $65 billion by 2030, significantly increasing financial access.[4]
- **Latin America:** The Fintech industry is thriving, particularly in Brazil, Mexico, and Colombia. With adoption exceeding 60%, the market is projected to grow 12.5 times by 2030, driven by digital banking and payments.[5]

[2] https://www.smefinanceforum.org/post/msme-finance-gap-report
[3]https://www.mckinsey.com/featured-insights/employment-and-growth/how-digital-finance-could-boost-growth-in-emerging-economies
[4]https://www.mckinsey.com/industries/financial-services/our-insights/fintech-in-africa-the-end-of-the-beginning
[5] https://jkcp.com/global-fintech-adoption-index-regional-trends-and-statistics/

- **Southeast Asia:** The broader region hosts nearly 5,900 fintech companies, including key markets like Indonesia, Vietnam, and the Philippines. With 76% adoption of digital financial services, the area is a global leader in fintech innovation.[6]
- **South Asia:** India and Bangladesh are at the heart of South Asia's fintech expansion. India's fintech ecosystem is expected to grow more than 35% annually, reaching over $190 billion in revenue by 2030, contributing 13% to the global fintech revenue.[7]

Collectively, fintech companies in emerging markets already serve hundreds of millions of users, and adoption is expected to double by 2030. This expansion presents a unique opportunity to drive financial inclusion and economic growth.

These companies are pivotal in expanding access to financial services, particularly in regions with underdeveloped traditional banking infrastructure. However, they face significant challenges that hinder their ability to scale and effectively raise credit.

1.3.1. Barriers to Debt Capital for Emerging Market Fintechs

Despite their rapid growth, fintechs in emerging markets encounter significant challenges when attempting to securitize their debt books and access credit from U.S. and other global investors. High costs, fragmented ecosystems, and the absence of standardized credit evaluation make these processes viable only for the biggest companies. Compounding these issues, investors perceive emerging market debt as high-risk, reducing access to critical capital despite these markets' attractive yields.

The challenges of raising debt capital constrain the growth of emerging market fintechs, limiting their ability to scale lending and expand financial access to local communities. Without trusted financial reporting, streamlined investment mechanisms, and accessible funding channels, originators struggle to attract institutional capital, often relying on expensive, short-term funding that drives up borrowing costs.

[6] https://www.statista.com/statistics/893954/number-fintech-startups-by-region/
[7] https://www.fortuneindia.com/macro/what-does-the-future-hold-for-indian-fintechs/114096

1.4. Challenges for U.S. Investors in Emerging Markets

While emerging markets present attractive opportunities for high-yield debt investments, U.S. investors face challenges that hinder participation:

- **Audit and Legal Challenges:** Fragmented loan data, lack of standardization, and re-audit requirements create costly and time-consuming barriers. Legal exposure in less predictable bankruptcy courts and the lack of backup servicing mechanisms also heighten operational risks.
- **Issuer and Systemic Risks:** Limited transparency from debt issuers and weaker legal frameworks increase the likelihood of defaults and fraud. Broader macroeconomic risks, including currency volatility and political instability, compound the challenge of investing in these markets.
- **Inefficient Payment Rails:** Outdated and fragmented payment infrastructure complicates cross-border transactions, and high costs, scalability limitations, and settlement delays affect cash flow predictability.

1.4.1. PACT: Removing Barriers to High-Yield Investment Opportunities

The PACT protocol offers a transformative approach that makes it significantly easier for global investors to access high-yield debt opportunities in emerging markets by reducing risks, increasing transparency, and streamlining operational processes:

- **On-Chain Auditability:** Enabling real-time visibility into loan books, reducing audit complexity and costs.
- **Improved Transparency:** Providing standardized data and enhanced reporting to mitigate counterparty risks.
- **Seamless Payment Integration:** Leveraging blockchain technology to facilitate efficient, low-cost cross-border transactions.

PACT creates a pathway for U.S. investors to confidently engage with emerging market debt, unlocking significant economic value while fostering global financial inclusion.

2. The PACT Protocol

2.1. Overview of the PACT Protocol

PACT is a permissioned protocol that provides blockchain-native solutions to longstanding barriers in lending, securitization, and capital access. Initially developed by Pact Labs, the protocol is managed through a decentralized autonomous organization (DAO) structure, with governance through $PACT tokens. This includes voting on consortium members responsible for approving new originators, ensuring transparency and scalability in its operation.

At its core, the PACT Protocol enables the issuance and management of financial assets entirely on-chain. It leverages blockchain technology to deliver **lower costs** by eliminating multiple layers of intermediaries and provides **enhanced investor insight** through unprecedented real-time visibility into loan pools and underlying asset performance.

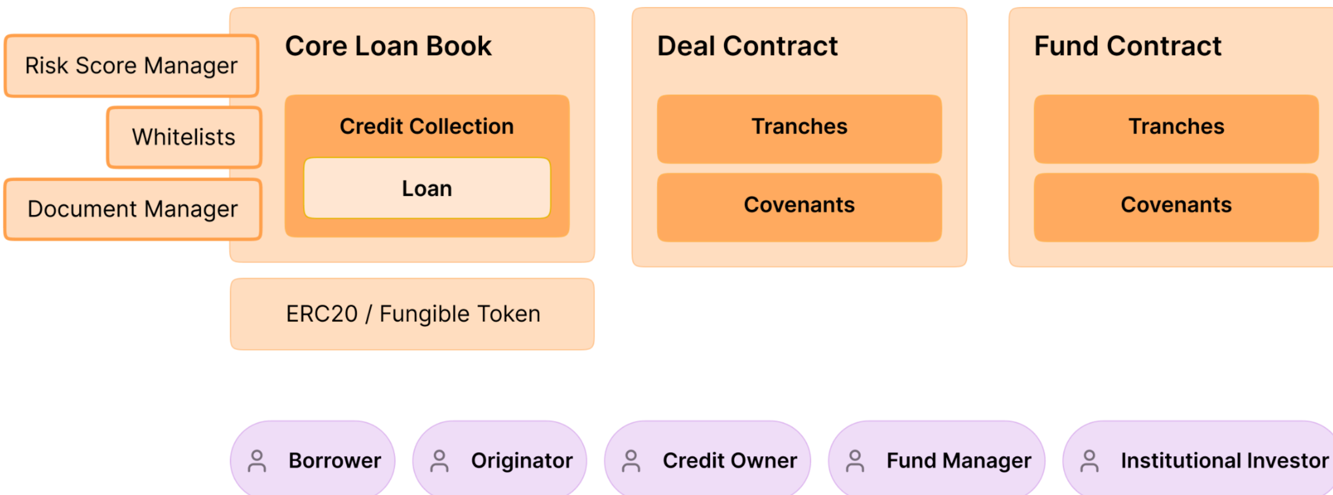
The PACT Protocol is built on the high-performance Aptos Blockchain (aptoslabs.com) for scalability and security. It also integrates with the Celo Blockchain (celo.org) to facilitate low-cost, mobile-first transactions in the MiniCredit application in Africa.

The PACT Protocol optimizes lending and capital access in emerging markets by eliminating inefficiencies and creating a more transparent financial ecosystem. The protocol delivers significant value to borrowers, originators, and investors by addressing long-standing barriers through:

- **Native On-Chain Issuance:** Loans are issued directly on the blockchain, ensuring transparency, auditability, and efficiency.
- **Cost Efficiency:** Reduces reliance on intermediaries, significantly lowering lending and operational costs.
- **Transparency and Standardization:** Provides a clear valuation framework and standardized protocols, building trust and predictability.
- **Liquidity and Risk Premiums:** Offers transparent liquidity and fair risk pricing, benefiting borrowers and investors.

- **Accessibility:** Mobile-first design expands financial services to unbanked populations in underserved regions.
- **Incentivization:** Rewards borrowers for positive financial behavior, fostering trust and repayment discipline.

2.2. Functionality of the PACT Protocol



The PACT Protocol provides a seamless, secure, and scalable infrastructure for lending, securitization, and capital management. It addresses the inefficiencies and complexities of traditional financial systems, making it especially beneficial for emerging markets. Key components include:

2.2.1. Loan Origination

- **Streamlined Process:** Loans are issued directly on-chain with clear terms, including principal, tenor, repayment schedule, and risk score.
- **Loan NFTs:** Each loan is tied to a unique, non-fungible token (NFT) representing ownership and facilitating secure, traceable transactions.
- **Flexibility**: The protocol supports funding from multiple parties and dynamic configurations, enabling tailored solutions for originators and borrowers.

2.2.2. Securitization

- **On-Chain Securitization:** Loans can be packaged into pools and securitized directly on the blockchain, eliminating the need for costly intermediaries.
- **Tranching Mechanisms:** Support for senior and junior tranches allows tailored risk and return profiles for investors.
- **Transparency and Auditability:** On-chain structures ensure clear visibility into loan performance, reducing audit complexities.

2.2.3. Loan Management

- **Payment Automation:** The protocol facilitates automatic repayment flows, with detailed breakdowns of principal, interest, and fees.
- **Risk Monitoring:** Integrated tools for real-time risk assessment and credit scoring help maintain high loan portfolio standards.

2.2.4. Liquidity and Investment

- **Asset Aggregation:** Loans can be grouped into funds or deals, allowing investors to access diversified portfolios with varying risk levels.
- **Direct Payments:** Investors can receive returns directly from loan repayments, with options for stablecoin or fiat payouts.
- **Off-Balance-Sheet Structures:** Transparent financial arrangements simplify compliance and improve financial flexibility.

2.2.5. Integration and Scalability

- **Multi-Blockchain Support:** Built on Aptos for scalability and Celo for mobile-first access, the protocol seamlessly integrates into diverse financial ecosystems.

- **Customizable Framework:** Originators and fund managers can configure terms, fees, and access controls to suit their unique requirements.

2.2.6. Handling Personally Identifiable Information (PII)

The PACT Protocol employs a robust framework for managing Personally Identifiable Information (PII) to ensure regulatory compliance, data security, and seamless integration with blockchain operations. This framework is part of a UETA-compliant document management service designed to maintain data integrity and accessibility while meeting the highest standards of security and auditability. Key features include:

- **Off-Chain Encrypted Storage:** PII data is securely stored in in-country databases and encrypted using advanced cryptographic methods to comply with local regulations and protect sensitive information.
- **Tamper-Proof Verification:** Each off-chain document is hashed, with the hash stored alongside the corresponding loan on-chain. This ensures that documents served to users remain unaltered since origination, offering verifiable data integrity.
- **Web3-Enabled Policy Engine:** Access to off-chain documents is governed by a web3-enabled policy engine that determines permissions based on wallet addresses and token ownership (e.g., loans, facilities, and funds). Documents are served based on wallet connections and signed messages, ensuring secure and efficient access control.
- **UETA Compliance:** This document management service adheres to the requirements of the Uniform Electronic Transactions Act (UETA), ensuring that all electronic records maintain their integrity, accessibility, and legal enforceability.

By combining off-chain security with on-chain transparency, this system delivers a compliant, efficient, and secure solution for managing sensitive data while fostering trust among stakeholders and regulators.

2.2.7. Key Participants in the Ecosystem

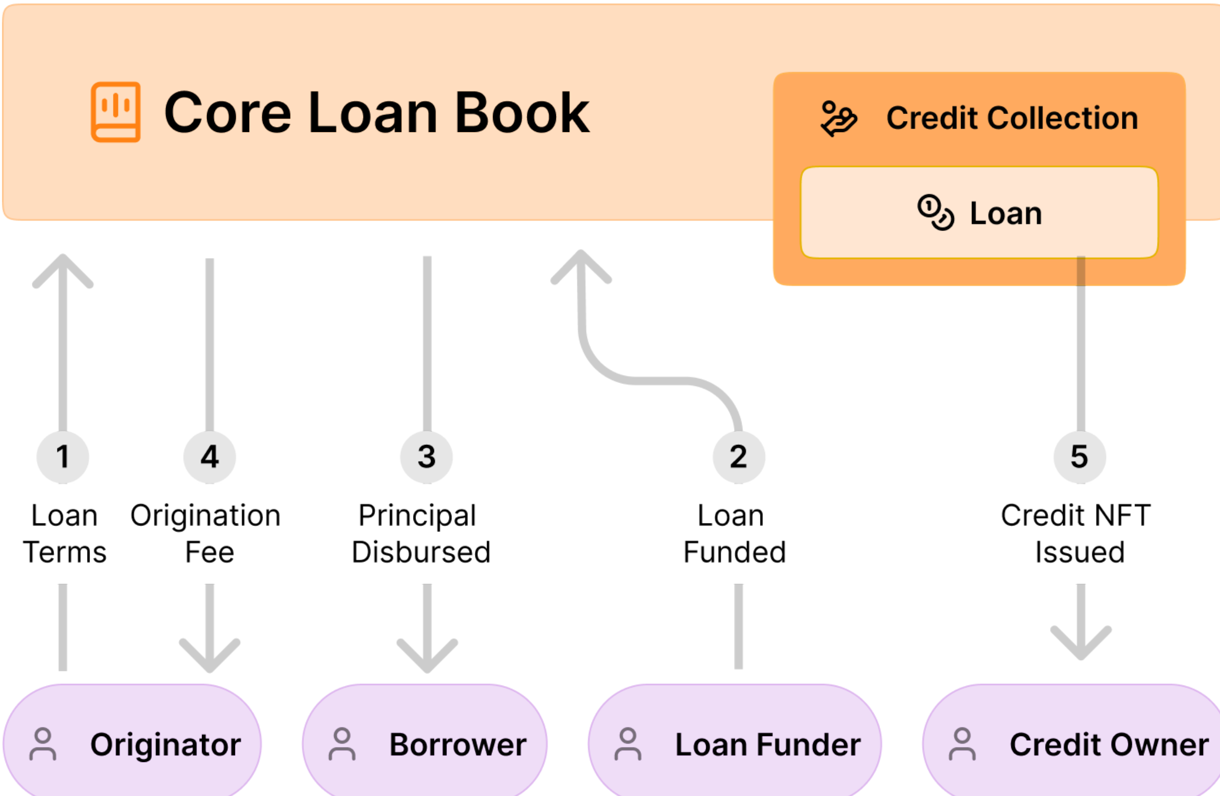
The PACT protocol has five main categories of participants:

1. **Borrowers**: A borrower is any entity that receives a loan from a loan book. The borrower has an obligation to repay the loan as well as interest and fees.
2. **Originators**: Financial institutions issuing loans and managing on-chain portfolios. By default an originator takes ownership of any loan issued through their loan book, but can delegate a third party to receive ownership upon origination.
3. **Credit Owners:** Holders of loan NFTs who receive repayments and own the financial rights to loans, and can configure an alternate address to receive payments if desired. If the credit owner is a smart contract any funds transfer will be enriched with information on how the payment can be broken down into principal, interest, and fees.
4. **Fund Managers:** Administrators of loan pools, managing tranches and investor returns. Managers can initiate coupon disbursements and operate within the bounds of covenants. Fund managers can approve/reject loans as collateral on a per-loan basis if enabled.
5. **Investors**: Any entity that owns shares of a fund. They are KYC'd and must be whitelisted on-chain by a fund manager.

2.3. Flow of funds in the PACT Protocol

The PACT Protocol streamlines the flow of funds in lending and investment processes, ensuring transparency, efficiency, and security at every stage. PACT creates a seamless path from loan origination to repayment while maintaining detailed tracking of all transactions. Below is an overview of how funds move through the system:

2.3.1. Loan Origination



- **Setting Loan Terms:** The originator initiates the process by defining the loan terms, including principal amount, repayment schedule, and borrower details. Additional metadata, such as risk scores and document hashes, can be appended for transparency.
- **Funding**: Depending on the configured structure, the loan is funded on-chain by either the originator or a third-party lender.
- **Disbursement**: Once funded, the principal is disbursed to the borrower, and the loan officially begins.
- **Ownership via NFTs**: The loan is tokenized as a unique Loan NFT, representing ownership and all associated rights. This NFT can be transferred to a whitelisted credit owner.

2.3.2. Loan Servicing

- **Transparent Repayment Tracking**: Borrowers make repayments in fiat or stablecoins, with all transactions recorded on-chain for real-time visibility and accountability.
- **Automated Payment Allocation:** Repayments are automatically applied to principal, interest, and fees based on pre-configured rules, ensuring accurate and efficient fund distribution to stakeholders.
- **Seamless Loan Lifecycle Management:** For Externally Owned Accounts, payments are directly disbursed to credit owners and originators, while smart contracts handle tranche-based allocations for pooled loans. Upon full repayment, loans are marked as settled, and Loan NFTs are updated or retired to reflect completion.

2.3.3.Securitization and Investment

- **Loan Pooling:** Individual loans can be aggregated into funds or deals, creating diversified pools for investment.
- **Tranching:** These pools can be structured into senior and junior tranches, offering investors varied risk and return profiles.
- **Investor Returns:** As borrowers make repayments, the funds flow directly to investors according to the tranche structure and pre-set terms.

2.3.4.Transparency and Auditability

- **Real-Time Reporting:** All transactions are recorded on-chain, enabling real-time visibility into the flow of funds.
- **Automated Reconciliation:** The protocol eliminates manual reconciliation by automating fund distribution and tracking.
- **Immutable Records:** Blockchain immutability ensures that all financial flows can be audited at any time, providing stakeholders with unmatched trust and clarity.

2.4. Benefits for stakeholders

The PACT Protocol benefits the financial ecosystem by providing borrowers, investors, asset managers, and service providers with familiar tools built on new rails. It addresses inefficiencies, fosters transparency, and enhances access to global capital markets.

2.4.1. Borrowers in Emerging Markets

PACT fosters financial inclusion and empowers borrowers to participate fully in the economy by:

- **Expanding Access to Credit:** Connecting borrowers with global capital markets, ensuring greater liquidity and fairer interest rates.
- **Lowering Costs:** Reducing reliance on intermediaries decreases borrowing costs, making credit more accessible.
- **Empowering Growth:** Affordable loans enable micro-entrepreneurs and small businesses to invest in growth opportunities, creating jobs and driving economic development.

2.4.2. Investors

PACT democratizes access to emerging market loans, bridging the gap between global investors and high-growth regions. Key benefits include:

- **Enhanced Liquidity:** Tokenized assets allow investors to trade positions seamlessly, ensuring flexibility and adaptability.
- **Transparency and Confidence:** On-chain reporting provides real-time visibility into loan performance, reducing risks and enhancing trust.
- **Competitive Returns:** Diversified loan portfolios offer attractive yields while mitigating risk through tranching and other mechanisms.
- **Collateral Utility:** Tokenized loans can also serve as collateral, creating additional opportunities for leveraging investments.

2.4.3. Asset and Investment Managers

For asset and investment managers, the PACT Protocol streamlines fund management, enhances operational efficiency, and enables scalability. Specific benefits include:

- **Cost Reduction:** Automation of custody, administration, and execution minimizes expenses, increasing profitability.
- **Liquidity Mechanisms:** Tokenization enables loans to be securitized and collateralized, providing investors seamless access to diversified portfolios.
- **Future-Proofing Operations:** By adopting advanced blockchain solutions, managers stay ahead of industry trends and maintain a competitive edge.

2.4.4. How an originator can reduce their cost of capital with PACT

Traditional credit funding and securitization processes in emerging markets are expensive, inefficient, and reliant on costly intermediaries. Fintech originators typically face high (15-25%+) borrowing costs, driven by counterparty risks, legal complexities, and high servicing costs. While traditional securitization costs typically range from 0.50% to 1.50% for large loan books in developed countries, these costs are significantly higher for smaller loan books in emerging markets.

By using PACT's on-chain infrastructure, an originator can:

- **Reduce borrowing costs** by decreasing risks and opening up a wider investor pool.
- **Eliminate third-party investment banks, trustees, and verification agents,** significantly lowering deal costs.
- **Automate investor servicing & reporting**, reducing operational overhead.
- **Unlock new capital sources**, such as stablecoin treasuries and digital asset managers, increasing available funding at competitive rates.

For this example, we've used a protocol fee of 0.25% on origination and 0.5% securitization (PACT fees are indicative and subject to change based on PACT's tokenomics and governance proposals). While this is an example case study, it is based on data from working with dozens of real-world emerging market originators.

Quantifying Hypothetical Cost Savings for an Originator Securitizing Their Loan Book

Expense Category	Traditional Cost	PACT Cost	Savings (%)	Why It's Cheaper?
Borrowing Cost	25% ($2,500,000 annually)	15% ($1,500,000 annually)	40%	*Direct capital market access via tokenization*
Loan Servicing Costs				
Payment Processing & Treasury	$50,000	$25,000	50%	*PACT automates cash reconciliation & ACH payments*
Loan Collections & Charge-Offs	$300,000	$200,000	33%	*On-chain monitoring reduces manual interventions*
Investor Reporting & Compliance	$60,000	$20,000	67%	*Automated investor dashboards replace manual report creation*
Manual Reconciliation & Data Management	$30,000	$15,000	50%	*Smart contracts automate transaction tracking & reporting*
Staffing for Loan Servicing (Ops Team)	$50,000	$25,000	50%	*Reduces need for full in-house ops team*
Origination Fee (PACT Protocol)	-	0.25% ($25,000)	-	*On-chain loan issuance fee*
Total Borrowing + Loan Servicing Costs	**$2,990,000**	**$1,810,000**	**39%**	***$1,180,000 saved***
Securitization Costs				
Legal Fees	$20,000	-	100%	*PACT removes the need for IBs in securitization*
Trustee & Paying Agent	$100,000	-	100%	*On-chain smart contracts replace third-party trustee*

Loan Verification / Audit	$50,000	-	100%	*Integrated on-chain loan validation*
PACT Securitization Fee	-	0.50% ($50,000)	-	*Blockchain-based securitization significantly reduces costs*
Total Securitization Costs	**$170,000**	**$50,000**	**71%**	*$120,000 saved*

Without PACT, an originator needs investment banks, custodians, and verification agents, adding significant inefficiencies and high costs while limiting access to competitive funding sources.

With PACT's automated, on-chain capital markets, an originator can:

- Reduce reliance on intermediaries and lower financing costs.
- Increase investor confidence with real-time loan performance tracking.
- Access a broader range of funding sources, such as stablecoin treasuries and digital-first capital allocators.

The result is millions of dollars saved—allowing fintech lenders to scale sustainably while making credit more affordable for borrowers. 🚀

3. The PACT Consortium

3.1. Overview of Consortium

The PACT Consortium aligns key stakeholders in the financial and blockchain industries and is the largest digital asset consortium focused on emerging markets. Current members include:

- **Key Partners and Contributors**

- **Pact Labs:** pactlabs.xyz
  Advanced blockchain solutions enabling end-to-end asset issuance (previously called Lucid Finance).
- **BitGo:** bitgo.com
  Secure digital asset custody and liquidity solutions.
- **Aptos**: aptosfoundation.org
  Scalable blockchain infrastructure powering PACT's technology.
- **Celo**: celo.org
  Mobile-first blockchain platform for financial inclusion.
- **USDT**: https://tether.to
  Stablecoin protocol facilitating seamless transactions.

- ### Exchanges & Wallets
  - **Quidax**: quidax.com
    Cryptocurrency exchange focusing on emerging markets.
  - **Micropay**: getkredu.com
    Microtransaction solutions for the unbanked.

- ### Asset Managers and merchant banks
  - **Tiberia Asset Management:** tiberia.capital
    Led by experts with experience managing over $100 million in credit.
  - **BSFG**: bsfg.finance
    Merchant bank specializing in emerging markets.

- ### Stablecoin Providers
  - **Tether (USDT):** tether.to
    Widely adopted stablecoin pegged to the US Dollar.
  - **Mento**: mento.org
    Stablecoin protocol on the Celo platform.

- **Paxos**: paxos.com
  Regulated blockchain infrastructure platform.

3.2. Pact Labs

At the foundation of our consortium is Pact Labs (formerly named Lucid Finance), our infrastructure provider and builder of the initial PACT protocol. Built on the advanced architecture of fellow consortium member Aptos, PACT is a significant leap forward compared to traditional digital credit approaches that simply tokenize existing assets by importing data created elsewhere onto the blockchain.

PACT Labs also builds supporting software and infrastructure for originators and other consortium members, including APIs and SDKs to interface with the PACT protocol; on- and off-ramp integration; dashboards and other products for managing loans and credit facilities on PACT (available on subscription); and related products like the PACT Investor Wallet and the Kredu app.

3.3. Case Study: Kredu - Expanding Access to Financial Services in Africa

Kredu, built on the PACT Protocol by Pact Labs, is transforming access to credit in Africa, leveraging the widespread adoption of Opera Mini, a lightweight browser with over 1 billion downloads on Android. Opera Mini's mission to connect Africa to the internet has expanded into financial services with MiniPay, a seamless Web3 wallet embedded directly within the browser. This integration connects underbanked Opera users to stablecoin-powered financial solutions.

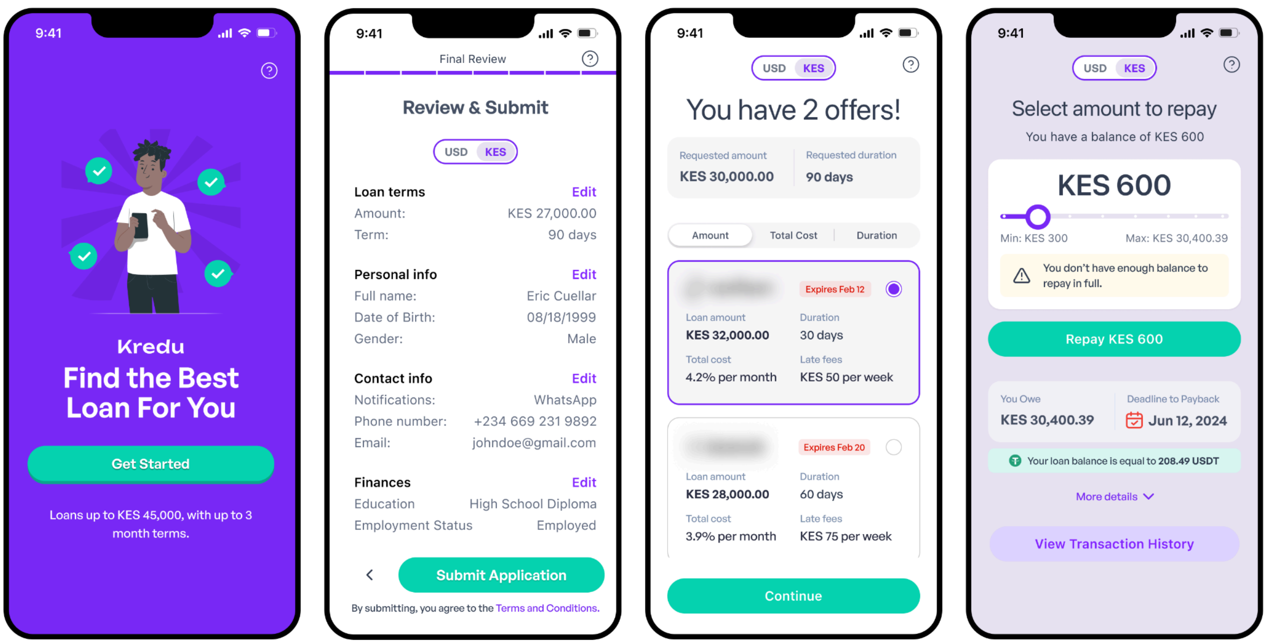
3.3.1. MiniPay: A Gateway to Web3 Financial Services

MiniPay operates as an easy-to-use, near-zero-fee global payment rail powered by the Celo blockchain and USD stablecoins. MiniPay is currently live in 50+ countries, offering:

- **Effortless Signup:** Users can onboard quickly with minimal friction.

- **P2P Payments:** Peer-to-peer transactions within the app are fast, secure, and cost less than $0.01 per transaction.
- **Integrated On/Off Ramps:** Users can easily convert stablecoins to local currency and vice versa, bridging the gap between traditional and digital finance.

3.3.2. Kredu: A Loan Aggregator Powered by PACT



As the exclusive borrowing app within MiniPay, Kredu aggregates loan offerings from a network of regulated fintech originator partners across multiple markets. Designed to serve micro-entrepreneurs, Kredu provides a seamless and reliable borrowing experience by connecting users to loans underwritten by trusted partners.

- **Technology Provider Role:** Kredu is a technology provider that facilitates the connection between borrowers and originators without issuing loans or bearing credit risk.
- **Borrow and Repay in Stablecoins:** Loan disbursements and repayments are conducted entirely in stablecoins through MiniPay, ensuring secure and efficient transactions.

- **Efficient Loan Sourcing:** By aggregating borrowers, Kredu offers originators a steady stream of pre-vetted users, reducing customer acquisition costs and enhancing operational efficiency.

3.3.3.Transparency and Compliance

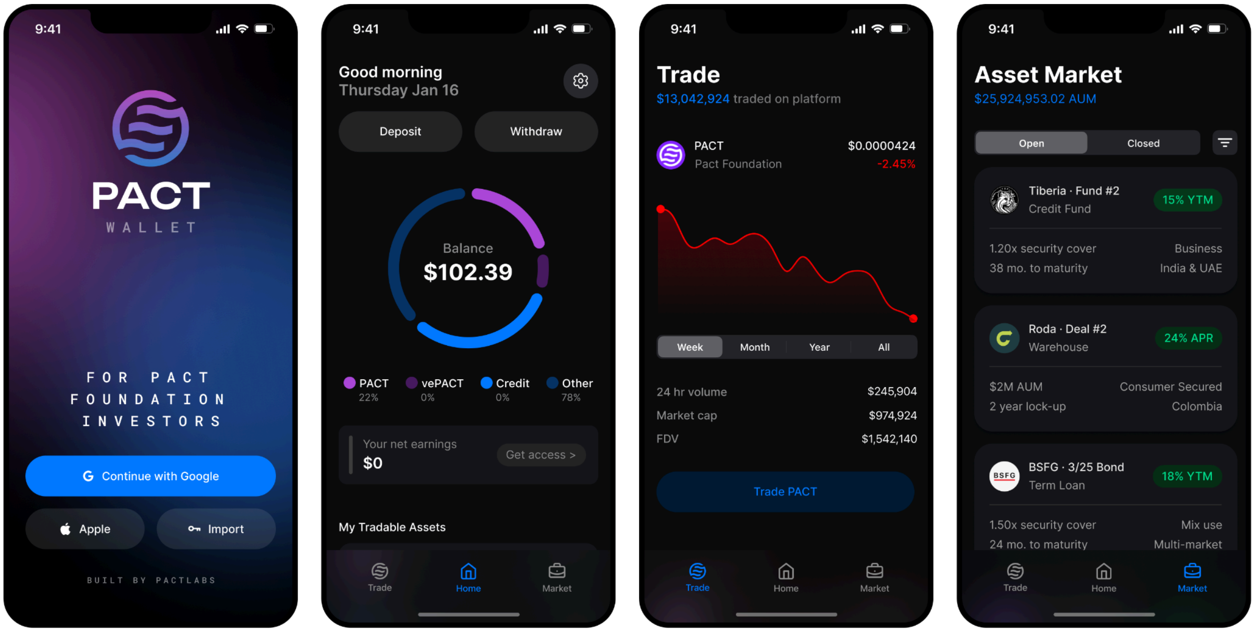
Kredu's functionality is powered by the PACT Protocol, ensuring end-to-end transparency and regulatory compliance:

- **Loan Origination and Servicing:** Loans are underwritten and issued exclusively by regulated fintech originator partners who assume all credit risk.
- **On-Chain Transparency:** Every aspect of the loan lifecycle—from application to repayment—is executed on the blockchain, ensuring an immutable and auditable record.
- **Data Protection**: Kredu adheres to stringent local and international data privacy standards, safeguarding user information while ensuring compliance.

3.3.4.Driving Financial Inclusion

Kredu primarily serves micro-entrepreneurs who face significant barriers to traditional credit. Through its originator network, Kredu provides fast, reliable, and low-cost loans, opening up growth opportunities for businesses and individuals. For borrowers, this means access to much-needed capital; for originators, it translates into reduced risk and streamlined operations.

4. PACT Investor Wallet



4.1. Enabling on-chain investment into high-yielding loan books

The PACT Investor Wallet connects global investors with high-yielding loan books from emerging markets. By leveraging the PACT Protocol, the wallet offers a secure, efficient, and transparent platform for investing in on-chain loan books and securitized products. It also provides fintechs with a streamlined mechanism to attract capital, reduce costs, and expand their reach.

For accredited investors worldwide, the PACT Investor Wallet eliminates traditional obstacles to participating in emerging market opportunities.

Key investor benefits include:

- **Transparency**: Every loan and securitized product is fully traceable on-chain, with real-time visibility into performance and repayment flows.

- **Efficiency**: Stablecoin integration enables instant, low-cost transactions, bypassing the inefficiencies of traditional payment systems.
- **Access to High-Yield Opportunities:** Investors gain exposure to diversified, high-performing loan books and securitized products from rapidly growing emerging markets.

The PACT Investor Wallet exemplifies the protocol's vision of fostering a more inclusive and efficient global financial system. By bridging the gap between emerging market credit needs and global investment capital, the wallet drives economic growth and redefines how investments flow across borders—it's a step toward a more connected, equitable financial future.

5. The $PACT token

5.1. Token Overview

$PACT is a governance token developed to support a decentralized, on-chain lending protocol. The tokenomics are designed to encourage long-term holding of $PACT in the ecosystem, with incentives to stake for longer periods. When staking, holders receive a synthetic token, vePACT, which gives governance rights and enables them to receive periodic rewards determined by the protocol.

More details about the $PACT token are in our Tokenomics here.

6. Extending PACT Technology to Developed Markets

While the PACT Protocol is initially focused on driving access to credit and financial inclusion in emerging markets, its potential to address inefficiencies in developed economies like Europe, Japan, and the United States is equally transformative. These markets face systemic challenges, including opaque processes in private equity and structured credit, inadequate real-time pricing mechanisms, and illiquid secondary markets. These barriers hinder investor confidence, restrict capital flows, and limit financial innovation—challenges that PACT is uniquely designed to solve.

The PACT Protocol can be extended to other key asset classes, introducing transparency, efficiency, and liquidity that traditional financial systems lack.

- **Private Equity Assets**: Tokenizing private equity stakes will allow for fractional ownership and improved liquidity. Investors will gain more precise insights into fund performance and holdings, increasing confidence and participation in this traditionally exclusive market.
- **Debentures and Bonds:** On-chain issuance of debt instruments streamlines transferability and enhances price discovery. Tokenization creates vibrant secondary markets, providing investors with greater flexibility and access.
- **Structured Credit Products:** Securitizing credit instruments on-chain enables full transparency into underlying assets and risk profiles. Smart contracts enable automated risk assessments and real-time monitoring, reducing uncertainty for investors.

These solutions not only fix inefficiencies but also create new opportunities for investment and innovation in developed markets:

- **Enhanced Transparency:** Blockchain's immutable ledger offers clear visibility into transaction histories and asset performance, replacing opaque processes with auditable, real-time data.
- **Dynamic Pricing Mechanisms:** Smart contracts accurately value assets in real-time, enabling informed decision-making and reducing pricing gaps.
- **Expanded Liquidity:** Tokenized assets open access to secondary markets, allowing for easier entry, exit, and diversification for investors.
- **Simplified Compliance:** PACT's smart contracts can incorporate jurisdiction-specific regulatory frameworks, automating adherence to complex compliance requirements and minimizing risk.

7. Legal and Compliance Framework

The PACT Protocol operates within a robust legal and compliance framework that meets international standards and fosters stakeholder trust. By prioritizing regulatory adherence, transparency, and data protection, PACT ensures a secure and compliant environment for its participants.

7.1. Regulatory Compliance

The PACT Foundation is established as a legal entity in the Cayman Islands, a jurisdiction recognized for its adherence to international financial and regulatory standards. This strategic location enables PACT to operate with global legitimacy while maintaining the flexibility required to innovate in emerging and developed markets.

7.2. Compliance Measures

To uphold the highest standards of integrity and security, PACT employs comprehensive compliance protocols:

1. **Regulatory Alignment:** The platform continuously monitors evolving global regulations, ensuring its operations remain compliant across jurisdictions. This proactive approach minimizes legal risks and supports cross-border engagement.
2. **KYC/AML Procedures:** PACT implements robust Know Your Customer (KYC) and Anti-Money Laundering (AML) protocols to prevent illicit activities, safeguard the ecosystem, and maintain trust among users and regulators.
3. **Data Protection:** PACT adheres to local and international data protection laws, ensuring user information is securely managed and respecting privacy rights. This includes compliance with frameworks such as GDPR and other relevant standards.
4. **Transparent Operations:** The protocol undergoes regular audits and disclosures to assure stakeholders of its operational integrity. PACT fosters trust and accountability across its ecosystem by maintaining open and auditable practices.

This legal and compliance framework is integral to PACT's mission of redefining global finance, ensuring that innovation is balanced with responsibility, and providing a secure, transparent foundation for financial inclusion and growth.

8. Conclusion

The PACT Protocol redefines financial access by removing inefficiencies, lowering borrowing costs, and unlocking global capital for emerging market lenders. By bringing structured credit fully on-chain, PACT is creating a more transparent, scalable, and accessible financial system that prioritizes financial inclusion, real-world impact, and long-term economic growth.

With fintech lending in the Global South projected to engage over 1.5 billion users by 2030, PACT is uniquely positioned to power this transformation. By leveraging blockchain's efficiency, stablecoin liquidity, and smart contract automation, we are building a decentralized financial infrastructure that will connect billions of borrowers with global investors—sustainably, securely, and transparently.

We invite financial institutions, fintech companies, asset managers, and ecosystem partners to join our mission to reshape global credit markets. Together, we can build an equitable, efficient, and open financial system that benefits everyone.

🚀 Let's unlock financial potential—together. 🚀

9. Contact Information

For partnerships, investments, or more information:

- **Website**: pact.foundation
- **Email**: info@pact.foundation
- **Address**: PACT Foundation, George Town, Cayman Islands

This whitepaper is intended for informational purposes only. It does not constitute financial advice, an offer to sell, or a solicitation of an offer to buy any securities in any jurisdiction.