



KASU LITEPAPER



KASU



1. INTRODUCTION

The global financial landscape has undergone significant change over the past few years, catalyzed by the rapid growth of digital technologies and the widespread adoption of blockchain.

As traditional financial (TradFi) systems grapple with the limitations and inefficiencies of centralized control, Decentralized Finance (DeFi) has emerged as a powerful alternative, offering a more transparent, inclusive, and accessible means of managing assets and value. With the promise of democratizing finance, DeFi has attracted immense interest from both institutional and retail investors alike.

One of the most promising applications of DeFi is the emergence of Real World Asset (RWA) lending, creating a bridge between TradFi & DeFi. This is where real world assets that exist off-chain are brought on-chain to be used as a source of yield within DeFi.

Companies in need of capital have traditionally relied on centralized intermediaries in TradFi capital markets such as banks and venture capitalists, but these conventional systems are often burdened by 'middle-men,' high fees, slow speed to market, overregulation, and limited accessibility.

DeFi, on the other hand, offers a more direct, efficient, and decentralized approach to capital raising, where companies and investors can explore a world of quality credit and equity investment opportunities on-chain, that would otherwise only be available to 'Sophisticated' and 'Institutional' investors.

As the macroeconomic environment continues to evolve, with traditional financing sources becoming increasingly limited and restrictive, the need for alternative, decentralized solutions, such as RWA lending, has never been more pressing.

RWA lending empowers businesses and investors to connect directly, ushering a new era of capital flows that fosters greater financial inclusion, drives economic growth, and promotes the development of a more equitable and sustainable global financial ecosystem.



However, one of the major underlying problems that both TradFi and DeFi capital markets is yet to solve is that lending is commoditized. This results in lenders mostly competing on price, rarely offering any additional value-add services.

Similarly, existing RWA lending platforms merely provide a bridge between DeFi and real-world borrowers, but this fails to provide any meaningful differentiation in terms of addressing the cash flow issues that - in many cases - are the root cause of the borrowing need. Consequently, they are simply bringing the existing problems of TradFi on-chain, being a commodity product - money!

Kasu solves this problem.

Kasu is an RWA private credit lending platform that uses proven, proprietary technology to optimize businesses' cash flows, thereby improving credit risk. Coupled with automated risk management mechanisms, Kasu delivers the most attractive risk-adjusted yields in all of RWA private credit.

Whilst our peers provide a simple bridge between TradFi and DeFi, this has now become the RWA lending norm. Kasu not only democratizes access to real-world yield opportunities that are otherwise only available to 'accredited' and institutional investors; we use proprietary technology that unlocks business' cash flows tied up with debtors prior to lending funds, thereby reducing credit default risk to optimize risk-adjusted returns for investors.

Kasu fixes the cash flow problem at its core first, and lends money second.



2. KASU

Current DeFi solutions primarily offer yields through farming, P2P lending, and staking. They are largely confined to in-market solutions with inherent limitations, such as unsustainable Ponzi-style economics, high volatility, impermanent loss, and the obvious lack of exposure to much larger and sophisticated capital markets investments.

In the RWA lending space, existing players simply provide a bridge between TradFi and DeFi. However, this approach is now the 'norm' in RWA lending, which brings two fundamental TradFi problems with it on-chain:

1) RWA lending has not solved the commoditized product issue that TradFi is so deeply scrutinized for, leaving borrowers with no loyalty as they pursue the most price competitive loan with no value-add services; and,

2) the commodity nature of lending is often little more than a quick fix of the underlying problem that creates a borrowing need, thereby encouraging more risk (referred to as 'dumb money' in TradFi versus 'smart money').

This is a systemic problem in all credit markets, both TradFi and DeFi. There is little differentiation between lenders other than terms and price. Lenders also rarely (if ever) provide any value to assist businesses optimize cash flow first to reduce the borrowing need. Consequently, this results in a credit market characterized by higher default risk, ultimately to the detriment of investors, with spillover effects into broader capital markets.

KASU addresses these challenges in the private business credit arena with its integrated Launch Partner, Apxium. Through this partnership, Kasu has an exclusive license to Apxium's global leading SaaS+FinTech Intellectual Property, which solves the above mentioned problems first, then lends money second.

Apxium delivers deep value to businesses via its innovative Accounts Receivable Automation software and Global Payment Rails:

- Reduces debtor days by approximately 50%;
- Reduces administrative overhead by 50%; and,
- Reduces payments processing fees by up to 40% (more competitive than banks).

This is all before lending a single dollar!



Kasu presents an unparalleled value proposition that no other lender in DeFi or TradFi currently offers. Unlike other RWA lenders in DeFi, or FinTech lenders and banks in TradFi, Kasu (via its partnership with Apxium) fixes the root cause of the borrowing need first, thereby lending to an optimized debtor book that can be better managed by the reduced administrative burden on the Accounts Receivable team.

Given the extent to which the technology improves business' cash flows and administrative processes, an opportunity exists to leverage this favourable position to provide additional lending solutions that can be also be optimized via Kasu's licensed IP. For example, the payments technology and its depth of data integration can also facilitate smart Accounts Payable financing solutions for approved supplier invoices and other creditor payments in a highly efficient, automated, and controlled environment.

By leveraging the power of blockchain, in conjunction with Apxium's award-winning lending architecture, Kasu will provide DeFi investors access to short-term accounts receivable and payables financing to highly vetted, creditworthy businesses in established, regulated, and mature markets. Most of these businesses already use Apxium's software, which has already validated their creditworthiness to ensure high quality, sustainable risk-adjusted returns to investors.

This technology enables liquidity providers to earn more sustainable yields than other lending platforms through superior risk management technology.

3rd party Pool Delegates can launch, manage, and attract capital based on their own investment strategies and underwriting processes (subject to Kasu's due diligence and approval process), delivering superior risk-adjusted returns to Liquidity Providers when using Apxium's technology (where applicable).

This technology-driven approach, in a decentralised environment, enables greater flexibility and transparency with proven and unparalleled risk management structuring, offering deep value across the entire RWA lending ecosystem.

Kasu is a DeFi protocol that not only aims to evolve the way businesses access capital - by bringing real-world yield sources onto the blockchain - but uses proprietary technology to revolutionize the way businesses manage capital and risk for the benefit of investors.



3. LAUNCH PARTNER - APXIUM

In an effort to provide a truly differentiated product from competitors - whilst facilitating the seamless integration of real world yields on-chain - Kasu has collaborated with a partner that possesses both a proven track record and a market-leading financial technology product.

Apxium is a globally operating SaaS+FinTech company specializing in Accounts Receivable Automation, Smart Payment Services, and Invoice Financing. With a strong presence in the U.S., U.K., Canada, and Australia, this solution is used by globally significant accounting firms, along with their corporate and SME clients.

Kasu will launch with immediate access to Apxium's existing customer base which represents approximately \$2 Billion in annual invoicing across some for the largest, and most creditworthy accounting firms in the world. Of this \$2 Billion in annual invoicing Apxium currently manages for accounting firms, approximately \$150 Million could be financed today, plus a further \$7.5 Billion for these firms' clients. This does not even consider the accounts payable financing needs of these firms' clients, which is an even larger opportunity again.

Apxium is the only deeply data integrated SaaS+Payments solution with the world's two largest accounting Practice Management Software systems, IRIS Star & Wolters Kluwer. These systems account for over 50% market share of accounting firm invoices in the U.S. presenting an invoice financing opportunity of up to \$12 Billion. The downstream opportunity to these firms' clients is a further \$600 Billion.

Apxium judiciously selects yield providers from its extensive network of primarily mid-to-large accounting firms and their clients, who boast exceptionally robust credit profiles. These include top 100 CPA firms in North America and the U.K., some of which Apxium can achieve Trade Credit Insurance (TCI) for, reflective of AA-rating. TCI will be pursued to provide credit enhancement to selected pools.

Apxium's IP is based on its deep, continuous data integration and synchronization with eight major enterprise billing systems used by global accounting firms. This includes Wolters Kluwer and IRIS Global, which are the two largest in the world. This enables Apxium to maintain comprehensive oversight and real-time visibility of each firm's invoices and accounts receivable ledger, thereby ensuring real time covenant reporting and risk management. This further enables Apxium to manage risk in ways not previously possible across any TradFi or DeFi lender, thereby significantly reducing default risk.



In the case of its invoice financing solution, Apxium employs several layers of technology-driven risk management to safeguard the collection of outstanding funds, thereby mitigating default risk:

- **Control over collections bank account:** to which all invoice payments/collections are received. No cash sweep for repayments required.
- **Automated cash charge-back to operating account:** direct debit authority over the firm's bank account to immediately effect a chargeback on any unpaid invoice that have been financed, without any notice required.
- **Redirection of all Accounts Receivable collections:** ability to route all cash collections to Apxium, even for invoices that haven't been financed (given that Apxium is the AR software and Payments provider).
- **Equitable assignment over invoices:** security over all the firm's invoices, providing recourse over its debtors ledger.
- **Guarantee & Indemnity:** given by the firm.
- **"Dual recourse" structure over the firm and its clients:** Apxium not only has recourse over the firm, but also has direct debit authority over the firm's end client debtor, along with the right to perfect title from the end client debtor in the event that the accounting firm faces insolvency.

Apxium's Accounts Receivable Automation software has proven to de-risk business' debtor exposures by reducing debtor days by 50%. By lending to an optimized debtor book, Apxium has never lost a single dollar in more than 7 years of operation.

The scale of Apxium's opportunity is a factor of its innovative approach. This has been recognised by two of the largest Practice Management Software systems in the world - IRIS Global and Wolters Kluwer. These two systems are used by accounting firms to manage their complex time and billing (work-in-progress billing) workflows. Their combined user bases of accounting firms generate over 50% of total accounting services revenues in the U.S., with leading market share in Canada, U.K. and Europe.

Apxium is the only deeply data integrated Accounts Receivable Automation Software and Payments provider to IRIS Global and Wolters Kluwer. If any of their accounting firms users wish to achieve an automated accounts receivable experience to reduce debtor days by 50% and payments processing fees by 40%, then the only fully data integrated solution is Apxium. Apxium is also uniquely data integrated with six other major Practice Management Software systems around the world, whose accounting firm user bases have not even been considered as part of the opportunity analysis within this Litepaper.



Through Kasu, Apxium can deploy capital into financing the invoices currently managed by its Accounts Receivable Automation technology.

Accounting firms are widely known as ‘trusted advisers’ to their clients. Given the high degree of customer advocacy Apxium has achieved from its accounting firm clients, the opportunity to leverage these relationships as a direct referral channel to *their* clients has already been established. The network effect opportunity to also provide Invoice Financing to the clients of these accounting firms is \$600 Billion (more when considering Accounts Payable funding opportunities). This ‘referral activity’ is already occurring, presenting funding opportunities beyond invoice financing.

Apxium’s value to clients allows for seamless cross-sell of its Invoice Financing product, as it is also already entrenched within its clients’ end-to-end accounts receivable and payment workflows. This compares to other lenders who just throw money (debt) at the late debtor collections problem, and do not contribute any value-add to improve their clients’ risk and operations as it relates to their debtor exposures.

Apxium de-risks business’ debtor books first, and then lends money second, thereby optimizing risk-adjusted returns and protecting investors’ capital.

This deep value-add, combined with such a unique captive distribution channel to these accounting firms’ clients, places Apxium in a prime position to also offer additional automated lending solutions – namely, Accounts Payable financing to fund approved supplier invoices and other creditor payments.

The uniqueness of this position is as explained follows:

- 1. Accountant-client trusted advisor relationship:** a business’ accountant plays a key role in recommending financial products to them.
- 2. Advocacy:** Apxium already has an enviable client base of globally significant accounting firms demonstrating a high level of loyalty, with an average churn of less than 2% p.a.
- 3. Risk validation:** given Apxium provides accounting firms with the payment gateway through which their clients pay their accounting fees, a history of their clients’ payment performance data is at hand. Combined with Open Banking data and the accountant’s recommendation (who prepares its clients’ financials), Apxium is able to source a pipeline of comprehensively pre-vetted borrowers.
- 4. Identity validation:** Apxium’s data integration with its accounting firm clients’ Practice Management Software systems provides visibility over the identity of their clients.



Whilst combining Apxium's Accounts Receivable Automation software with its Payables financing tech is optimal from a borrower value-add perspective, making the former a condition precedent to access the latter may introduce friction and compromise the scalability objectives of Kasu. Therefore, in order to achieve scale, Apxium's Accounts Payable funding solution can be provided as a stand-alone product, but still avail of the risk mitigation factors provided by Apxium's smart payments tech, credit due diligence practices, and risk validation from the borrower's accountant (which is already an Apxium customer).

One such Payables funding solution (also offered by Apxium) that would benefit from this dynamic is a unique 'Tax Pay' funding solution for profitable business to fund their 'lumpy' tax obligations to normalize cash flows. The opportunity rationale for such a solution is as follows:

- **Income tax is an indicator of profitability:** only profitable businesses pay income tax, which is a key (positive) credit risk score driver.
- **Apxium's Tax Agent relationship:** Apxium's accounting firm customers are the Tax Agents and accountants of business' seeking such funding solutions. This presents Apxium with a captive distribution channel to their clients, along with an independent, trusted source to access their tax and financial information.
- **Data Integration:** given the above point, Apxium is able to gain independent visibility over the outstanding tax obligations of these firms' clients.
- **Smart payment tech:** Apxium's technology is able execute payments on behalf of the client directly to suppliers (in this case, the tax/revenue authority such as IRS in the U.S. and ATO in Australia) to eradicate fraud, in a wide range of currencies with the necessary approval mechanisms built-in.
- **Value-add also to the accountant:** Accounting firms (in their role as Tax Agent for their clients) spend significant time attempting to negotiate payment arrangements with the revenue authority on behalf of their clients. The revenue authorities are deliberately difficult to contact and must only act within certain predefined parameters which makes the entire process extremely inefficient and time consuming for the accountant. Apxium's solution solves this problem for the accountant.

Hence, Apxium is able to deliver deep value-add for both the tax agent and its client through its technology driven funding solutions. The value-add for the firm's clients is that of administrative automation and cash smoothing. For example, tax obligations come in various forms (income tax, Pay-As-You-Go (PAYG Tax), PAYG employee tax, GST and VAT etc.), presenting varying cash expense profiles (timing and amount) that rarely match a business' cash revenue profile. Each of these individual tax obligations present varying degrees of 'seasonality' issues and must be paid in regular prescribed intervals regardless of the timing of the business' operating cash flow and working capital cycle.



Apxium's solution provides a tailored 'Tax Pay' debt facility to completely remove the multiple seasonality issues for each tax obligation, and handle all the administrative burden. Apxium's technology can account for each individual tax obligation for each individual tax period. In the backend, this calculates a separate loan repayment schedule for each tax obligation. But, from the client's perspective, a single monthly repayment is made. Apxium's technology simply apportions the appropriate amount from this single monthly repayment and allocates it to the relevant outstanding tax obligation (in a first-in-first-out method).

This method enables the client to continually 'roll in' new tax obligations into the single consolidated facility (subject to a total approved credit limit and debt serviceability metrics), whilst earlier tax debts 'roll off.'

The Tax Pay debt facility will allow business borrowers to take advantage of up to 3 monthly payment holidays in a 12 month period (so long as they have the approved facility limit capacity). This flexibility is an important selling feature when compared to the inflexible and hardened approach of government revenue authorities.

The impact of clients failing to meet their tax payment obligation is severe. For example, bank lending policies restrict the annual renewal of credit lines (let alone approving any increases) for businesses who have outstanding tax debt obligations. Even more severe is the tax/revenue authorities' stance on the issue, since 'interest free' tax obligation relief was provided during COVID-19, resulting in over AU\$50 Billion in unpaid taxes in Australia, and over US\$400 Billion in the U.S. In 2023, this rose to a staggering US\$1 Trillion in the U.S..

In the U.S. the IRS is tasked with collecting hundreds of billions of dollars in unpaid taxes over the next decade, and tax experts say individuals' business income is an untapped source of revenue. In response, the IRS allocated a \$900 Million budget, solely dedicated towards tax enforcement efforts in FY 2022. Businesses (not individuals) pay in excess of 92% of all tax raised by government revenue authorities globally, demonstrating the sheer scale of this issue.

Kasu is uniquely positioned to access this significant and timely opportunity through Apxium's relationships with accounting firms who service such businesses.

The Australian Tax Office (ATO) and IRS have recognised that the problem lies in profitable and healthy businesses with the capacity to pay, purposely taking advantage of the relief provided during COVID-19, effectively using the revenue/tax authorities as an 'interest free bank.' The stance of these authorities has radically hardened. They are now seeking to recover tax monies owed without compassion. This includes action such as placing businesses into receivership to rectify the situation, starting with with legal notices without any prior warning.



Hence, the size of the opportunity for Apxium to leverage its accounting firm relationship to access profitable businesses with the capacity to pay, but would prefer to convert such liabilities into instalment payments, is a unique and significant one.

Based on Apxium's existing accounting firm relationships, it is estimated that the opportunity to fund the tax obligation for their clients is approximately \$20 Billion p.a. Through its proprietary technology, Apxium is currently data integrated with firms' Practice Management systems, who act as Tax Agent and adviser to their clients. Hence, this opportunity is unique in that Apxium already sees these business' accounting bill payment performance (given Apxium provides the payment gateway through which they pay their accounting fees) along with being able to seek further validation of their creditworthiness from their accountants. Apxium already holds strong, long standing relationships with their accountants.

Moreover, given the consequence of failing to meet tax obligations, demand for such a funding facility is stronger than any other funding need. Apxium's unique access to these businesses, combined with the urgency to fund such obligations, provides an opportunity to offer significantly risk-adjusted yields (higher than what these borrowers would ordinarily pay for a funding need that does not possess the same level of urgency).

As a result, Kasu will be able to offer up to 25% yields through these pools (via its Junior tranche offering). The captive distribution opportunity via Apxium's existing user base and software partners enables Kasu to reach scale in a sustainable manner across a cohort of highly creditworthy business borrowers with technology that provides superior risk management to protect investor funds.

Through this highly captive channel, average yields for investors are in the order of 14%. This compares to Kasu's peers, who offer average yields of approximately 9% (www.rwa.xyz), but without the technology to reduce risk. Kasu will therefore offer lower risk (relative to returns) than its competitors - hence, not only more attractive on a risk-adjusted basis, but also on an absolute return basis.

Additional scale will be reached through Kasu's platform and infrastructure offering to other approved lenders beyond Apxium. The value proposition for additional lenders is the use of Apxium's intellectual property - via its Accounts Receivable Automation Software, Global Payment Rails, and Automated Financing technology - to also enable these lenders to generate optimized risk-adjusted returns for their investors.





4. THE KASU DIFFERENCE

The commodity mousetrap problem of credit markets and lending

Whilst the broad concept of Kasu is to provide an interface between DeFi investors and RWA lending opportunities – supported by unique token utility – this can largely be replicated by competitors. In fact, variations of this concept already exist and will inevitably continue to be rolled out by competing protocols as the demand for real world yield in DeFi intensifies.

In essence, these RWA ‘bridges’ employ an approach that is merely a technology driven iteration of a long-standing lending model, where the combination of capital and money management is now a homogeneous commodity.

Competing protocols will therefore attempt to avoid the ‘commodity mousetrap’ and differentiate via their investment product offerings (and token utility) – which again, are merely ‘features’ that can easily be replicated. This necessitates the need to build a community, with both liquidity demand and supply side catered for, that requires mass network effects to build a solid moat.

The bigger problem behind today’s commoditized credit markets is that there has been no effort for lending protocols, banks, and credit funds to address the root cause of the borrowing need to begin with. Often, this root cause lies in working capital constraints, with the underlying problem being poor cash flow management, debtor collections processes, and manual invoice processing.

Kasu’s Competitive Moat

Kasu delivers a competitive moat with a combination of unique technical and commercial intellectual property. The technical IP comprises software and payments technology that address the root causes of the borrowing need, as it relates to working capital constraints. The commercial IP relates to deep market access across an existing user base for which the technology processed over \$2 Billion in annual invoicing.

This IP has created significant barriers to entry for competitors given that it is the only deeply data integrated solution with the world’s largest enterprise billing and accounting systems (Practice Management Software) utilized by mid to large tier accounting firms.

This IP delivers a deep value proposition to these firms by not only reducing their administrative overhead by 50%, but more importantly, reducing their debtor days by 50% (on average) and payments processing fees by 40%.



The success of this technology has resulted in substantial commercial IP. That is, deep market access to over \$12 Billion in invoice financing opportunities to accounting firms in the U.S. which utilize the Practice Management Software systems with which Apxium's technology is uniquely data integrated. This includes sales and distribution support from these software vendors. This commercial IP is further strengthened by the network effects associated with accessing these accounting firms' clients, which represents a further \$600 Billion opportunity.

Hence, Apxium was purpose-built to reduce the very cause of the borrowing need to begin with, being late debtor collections, as a key step prior to lending a single dollar. Fundamentally, this offers investors highly unique risk-adjusted return dynamics.

Apxium optimizes a borrowers' accounts receivable collections by reducing debtor days by 50%, prior to deploying any capital to fund these receivables. This results in less borrowing and less risk.

Moreover, Apxium's deep data integration IP with enterprise billing systems used by professional practice offers real time visibility over every invoice status, enabling real time automated covenant reporting and risk management (versus banks' manual, retrospective covenant reporting).

Additionally, given that Apxium is a global Payments Acquirer delivering Global Payment Rails to its customers, this ensures that every debtor of a borrower that Apxium has loaned funds to is already pre-identified. Therefore, Apxium has real time visibility over these debtors' payments performance – again, providing a significant risk mitigation factor to optimize risk adjusted returns.

In contrast, competing protocols, banks, and other FinTech lenders simply bring together the commodity products of capital supply and demand to mask the cash flow problems with debt. Unfortunately, they do little to address the very problem that causes the borrowing need to begin with.

Moreover, Apxium's deep data integrations with global billing systems provides captive access to over 50% of accounting firms' revenues in the U.S. along with a significant share in Canada, Australia, UK, and Europe. Therefore, Kasu does not rely on marketing and community that two-sided marketplace models require to scale.

Whilst Kasu will also operate as a platform for other Pool Delegates, the opportunities brought about by Apxium alone unlock greater scale than other RWA lending competitors.



The captive opportunity via Apxium's distribution access to 50% market share in the U.S. (via its data integration partnership with Wolters Kluwer and IRIS Global) is larger than the entire value of loans ever deployed in the Private Credit RWA lending market (as it stands today).

When additional Pool Delegates join Kasu, it may be a condition precedent that they adopt Apxium's unique IP and payment rails, thereby ensuring the highest degree of risk management is present across the entire Kasu platform.

Apxium's data integration therefore presents significant IP that is yet to be replicated by any competitor in TradFi or DeFi. The combination of this technical and commercial IP provides Kasu with a competitive moat that bypasses the commodity mousetrap that its competitors are subjected to.





5. AWARD WINNING TECHNOLOGY

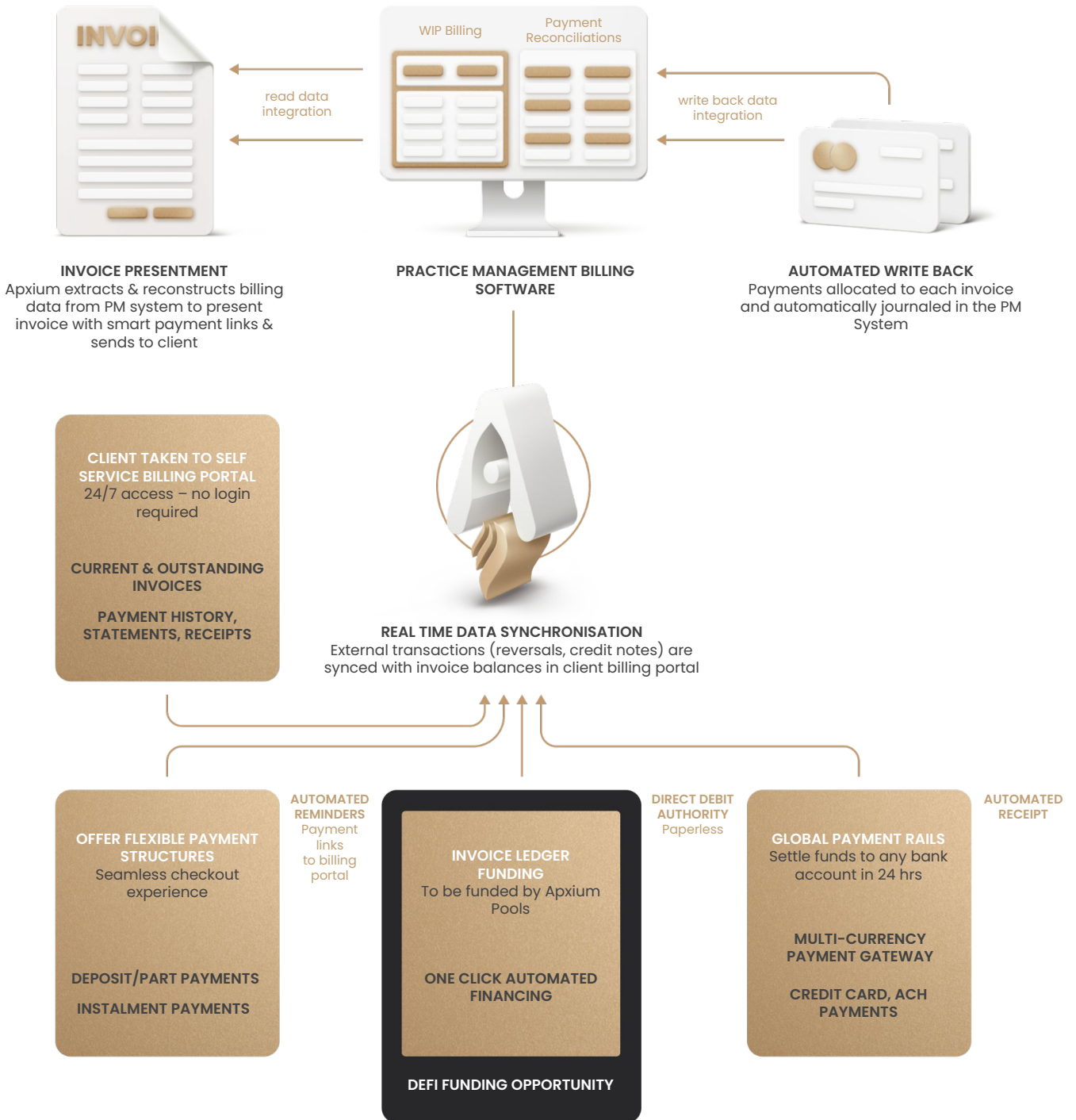
Apxium has an outstanding track record of performance and recognition, as evidenced by several awards and Australian government grants at both State and Federal levels:

- **2023** - Apxium received **grant funding and business planning support** from the **Government of South Australia** under the 'Global Expansion Program (GEP).'
- **2023** - Apxium won the **Premier's Export Award for the 'Most Innovative Business'** in South Australia, sponsored by South Australian Government Department for Trade and Investment.
- **2023** - Apxium won the **Premier's Export Award for the 'e-Commerce Exporter of the Year'**, sponsored by South Australian Government Department for Trade and Investment.
- **2023** - Apxium was a **National Finalist in the 'e-Commerce Exporter of the Year' category at the Australian Export & Investment Awards**, hosted by the Australian Trade Commission (**Austrade**), which is the Australian (Commonwealth) Government's trade and export body.
- **2022** - Apxium was a **finalist and runner-up in the 'Emerging Exporter' category at the Premier's Export Awards**.
- **2022** - Apxium was chosen as one of the **'Best and Brightest Fintechs in Australia'** by the **Australian Trade Commission** (Austrade - Australian Government) and WEVE Acceleration, selected to attend the New York Fintech Landing Pad Program in NYC.
- **2022** - Apxium received **export grant funding from the Government of South Australia** under the South Australia Export Accelerator Program to facilitate expansion to North America the UK.
- **2022** - Apxium was awarded **grant funding from the Government of South Australia** under the 'eCommerce Accelerator Program' to assist in commercialization in the U.S.
- **2021** - Apxium won the **Premier's Export Award under the the 'Small Business' category**, sponsored by the Department for Trade and Investment, Government of South Australia.
- **2021** - Apxium was a **National Finalist in the 'Small Business category' at the Australian Export & Investment Awards**, hosted by Austrade.
- **2019** - Apxium received **grant funding from the Government of South Australia under the 'Research, Commercialisation, and Startup Fund'** to commercialize its world-leading intellectual property, being the data integrations of its technology with IRIS Group and Wolters Kluwer.



Apxium Architecture

Apxium's SaaS+Payments technology delivers the most intelligent invoice financing solution in all of TradFi and DeFi. This technology is used by some of the largest Accounting Firms in the world, reducing their debtor days by 50%, with real time visibility into every single invoice financed to optimize risk management.



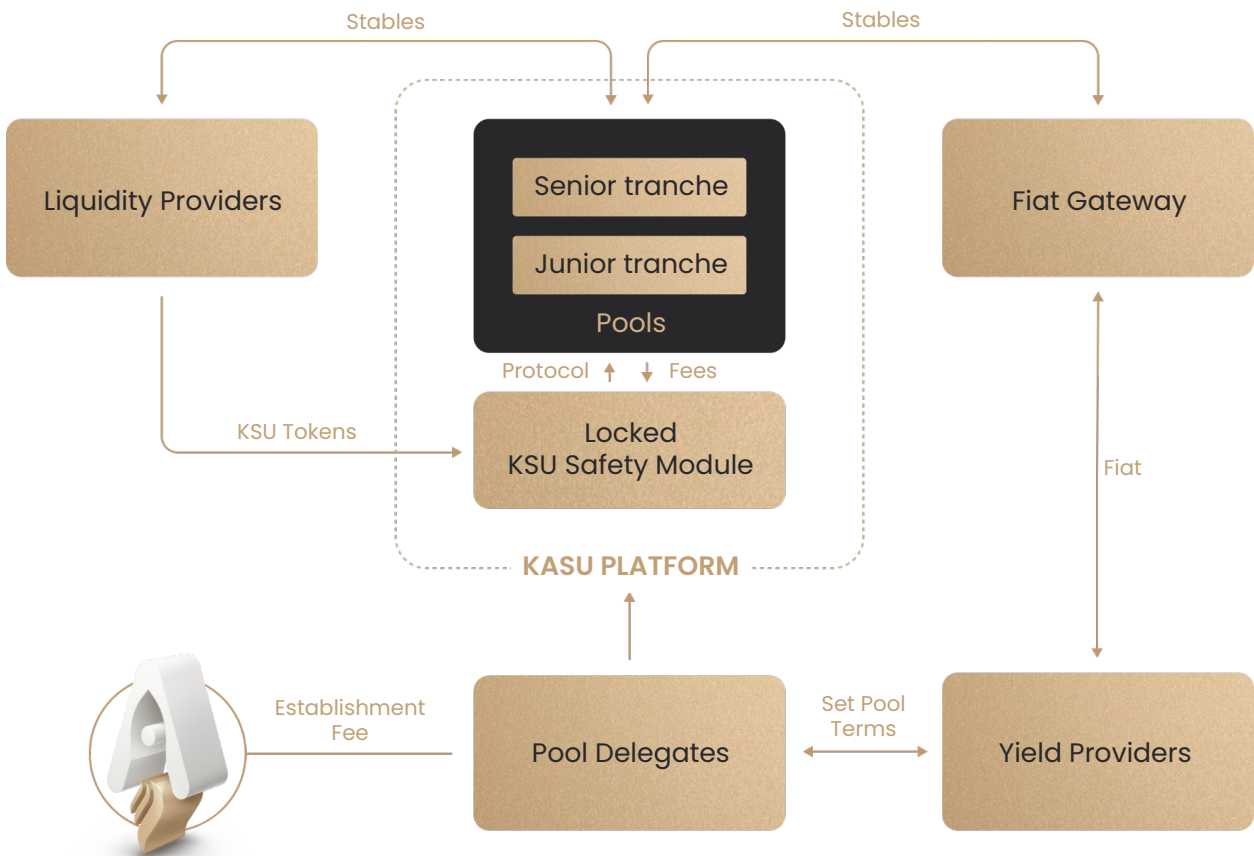


6. PROTOCOL OVERVIEW

Kasu enables Pool Delegates to offer lending pools to Liquidity Providers to earn yield. Pool Delegates are lending business who manage and originate commercial loans. Each pool offers a yield reflective of the credit risk associated with its portfolio of Yield Providers (business borrowers). Pools can also be structured into various tranches that attract a waterfall risk recovery structure, each attracting different yields reflective of repayment priority structure. Pool Delegates who request access to Kasu must first undergo rigorous credit assessment and due diligence by the Kasu team, which boast considerable expertise in banking, credit risk management, and structured finance.

KASU Architecture

A robust platform uniting Liquidity & Yield Providers, combined with proprietary technology that delivers real time risk management and reporting.





7. GENERAL SPECIFICATIONS

Pools

Kasu pools are created and categorized based on their credit risk profiles by the respective Pool Delegates. Pools can be structured into three tranches (or less), being Senior, Mezzanine and Junior debt tranches. Tranching enables a Pool Delegate to promote a wider variety of yield offerings in an attempt to attract a wider base of Liquidity Providers with differing risk profiles. For example, a Senior tranche offers the lowest yield and carries the lowest risk, as it has the highest ranking repayment priority (in the event of losses) across all tranches. The Mezzanine tranche offers a higher yield due to its second ranking repayment priority (in the event of losses), with the Junior tranche offering the highest yield due to its last ranking repayment priority position (in the event of losses).

This provides a waterfall repayment priority structure, where in the case of default and/or losses, the Junior tranche is most affected by absorbing losses first, followed by the Mezzanine tranche, before the Senior tranche is affected.

In some cases, it may be a condition imposed by Kasu that a Pool Delegate must contribute a set amount (or a percentage of the total pool amount) of its own funds as first loss capital. This depends upon the credit due diligence outcomes undertaken by Kasu on each Pool Delegate. Should a Pool Delegate be required to contribute first loss capital, these funds act as a capital reserve account that cannot be deployed into loans. The purpose is to add further protection to Liquidity Providers by absorbing losses prior to the waterfall affecting the lowest ranking tranche.

Each pool has a predetermined capacity, beyond which no additional funds can be added. This capacity is declared at the start of each Epoch and may change at the start of the following Epoch, but not during.

Pool Delegates

Pool Delegates, such as Apxium, utilize Kasu to attract funding from Liquidity Providers. Pool Delegates manage and structure their pools and offer terms to Liquidity Providers in order to attract funding. Pool Delegates originate loans according to their own credit due diligence, credit underwriting, and loan servicing models for deployment to Yield Providers (end borrowers). For added transparency, Yield Provider credit underwriting models and lending mandates for each pool will be disclosed to Liquidity Providers, as will their risk performance metrics.



Pool Delegates are required to define each pool's risk, yield, and capacity, and set the tranche conditions accordingly.

Pool Delegates are responsible for undertaking credit due diligence of each Yield Provider in order to offer loan terms, fees, repayment structures, interest costs, covenant reporting and conditions of funding - all depending upon the individual creditworthiness and risk rating of each Yield Providers.

Kasu's credit risk assessment of a Pool Delegate may require some financial and reporting covenant to be imposed. In such a case, reporting will be provided to Liquidity Providers. This will create the level of transparency required to promote a market mechanism of 'supply and demand' to ensure Pool Delegates are constantly offering an acceptable yield relative to their performance and risk.

Liquidity Providers

Liquidity Providers are individuals, businesses and institutions who provide their stablecoins to any of the lending pools. Liquidity Providers can invest in any of the pools within Kasu that align with their risk profiles. This grants Liquidity Providers access to yields from real-world global private credit markets, uncoupled from other cryptocurrency market prices or yields.

Yield Providers

Yield Providers comprise real-world businesses to which Pool Delegates deploy funds. Each Yield Provider may be offered different loan terms, repayment profiles, interest costs, covenant reporting and conditions of funding imposed, depending upon their individual creditworthiness and risk ratings. However, this is all managed by the credit underwriting models of each Pool Delegate. This allows Yield Providers access to the global cryptocurrency stable coin market without needing direct contact with each provider.

Epochs

Epochs are the periods of time in which payment cycles occur. Deposits and withdrawals are Epoch-based and assigned slots weekly, on day 7 (the final day of the Epoch). Liquidity providers may request withdrawals during the Epoch, and the withdrawal slots will be allocated based on total requests, current capital utilization, and Kasu loyalty level at the end of each Epoch.



8. THE KASU TOKEN

The Kasu Token (\$KSU) is a utility token that has a supply limited to one billion tokens. In order for Liquidity Providers to maximise utility and the associated benefits, KSU must be locked for either 30, 180, 360 or 720 days. Each KSU locking period will derive a specific amount of temporary, non-redeemable and non-transferrable rKSU that will accumulate, so long as KSU remains locked. A synthetic value is applied to rKSU (pegged to the KSU price).

It is noted that to participate in Kasu Lending Pools as a Liquidity Provider, purchasing and locking the KSU token is not a prerequisite. Similarly, anyone can be a KSU Token Locker to avail of certain KSU bonuses and rewards without the need to also be a Liquidity Provider. However, token utility, rewards and benefits are maximised for Liquidity Providers who are also Token Lockers.

For Liquidity Providers who are also Token Lockers, the amount and synthetic value of rKSU accumulated, relative to their stablecoin deposits in Lending Pools, determines their Loyalty Level. Loyalty drives the extent of utility that Liquidity Providers gain from locking KSU.

This utility comprises withdrawal and deposit priority, along with benefits such as bonus APY. Liquidity Providers are also provided with some protection of their USDC deposits in the case of an exploit, but they are not required to also be Token Lockers to avail of this benefit. The extent of protection provided to Liquidity Providers is limited to the amount of KSU locked (by all Token Lockers) in the ecosystem.

rKSU also entitles Token Lockers to a share of protocol fees. However, this benefit does not require a Token Locker to also be a Liquidity Provider with stablecoin deposits in Lending Pools. Token Lockers who are not Liquidity Providers are not required to undergo KYC to lock KSU and participate in protocol fees.

While rKSU cannot be liquidated due to its non-transferable and non-redeemable nature, Token Lockers maintain ownership of their KSU tokens once unlocked. Given that rKSU is temporary, it therefore only provides utility and benefits whilst KSU remains locked. Once KSU tokens are unlocked, the proportionate amount of rKSU is burned.



A broad overview of KSU use cases for Token Lockers and Liquidity Providers is summarised as follows:

Benefit	Benefits Category	Liquidity Provider is a prerequisite	Determinant
Withdrawal Priority from Lending Pools	Token Utility	Yes	Loyalty Level based on value of rKSU balance relative to USDC lending pool deposits (including pending deposits)
Deposit Priority to Lending Pools	Token Utility	Yes	Loyalty Level based on value of rKSU balance relative to USDC lending pool deposits (including pending deposits)
APY Bonus	Bonus/Reward	Yes	Loyalty Level based on value of rKSU balance relative to USDC lending pool deposits (including pending deposits)
Protocol Fee Sharing	Bonus/Reward	No	Value of rKSU balance relative to total rKSU balance in the Kasu ecosystem
Protection of USDC deposits in the case of an exploit	Token Utility	Yes (but not required to also be a Token Locker)	The extent of protection for Liquidity Providers is limited to the amount of KSU locked in the ecosystem.

A detailed explanation of the above KSU token utility and associated benefits is as follows:

KSU Token Locking Mechanism

Token Lockers receive a temporary amount of non-redeemable and non-transferrable rKSU, regardless of whether they are also a Liquidity Provider. The amount and duration of locked KSU tokens determines a multiplier associated with the amount of rKSU that a Token Locker will receive as follows:

KSU Locking Duration	rKSU Multiplier based on locked KSU
30 days	0.05x multiplier (5%)
180 days	0.25x multiplier (25%)
360 days	0.50x multiplier (50%)
720 days	1.00x multiplier (100%)

An example is given by a Token Locker who locks 100 KSU for 30 days. The associated multiplier is 0.05x. The Token Locker will therefore receive 5 rKSU. Similarly, a Token Locker who locks 100 KSU for 720 days will receive 100 rKSU.



The utility and benefits associated with locking KSU to accumulate rKSU are detailed in the following sections. This is categorised as utility for Liquidity Providers (Token Lockers who are also Liquidity Providers), followed by Token Lockers who are not also Liquidity Providers.

Token Utility for Liquidity Providers

A Liquidity Provider who is also a Token Locker can avail of the following token utility and benefits, but only if they have achieved certain Loyalty Levels. The extent to which a Liquidity Provider receives the below utility is dependent on their Loyalty Level, which is determined by the value of their rKSU balance relative to total current and pending USDC deposits. Loyalty benefits are fully detailed below.

Deposit and Withdrawal Priority

- **Deposit Priority:** Given Kasu's initial focus on Private Credit to business borrowers, it is expected that Lending Pools will not be open ended; they will often be capped. Deposits to Lending Pools will be processed on an Epoch basis, but will be subject to available pool capacity and demand from (and supply of) Liquidity Providers. Therefore, Liquidity Providers who are also KSU Token Lockers will receive priority access to Lending Pools based on their ratio of rKSU value accumulated, relative to total stablecoins deposits (including pending deposits) in Lending Pools.
- **Withdrawal Priority:** Withdrawal requests from Kasu Lending Pools will be processed on an Epoch basis, but will be subject to the current liquidity status of each Lending Pool (excess deposits, repayments, end borrower demand, etc.). Again, withdrawal priority will be provided to Token Lockers, with a queue system that prioritises users based on their ratio of rKSU value accumulated, relative to total stablecoin deposits (including pending deposits) in Lending Pools.

APY Bonus

Liquidity Providers who are also Token Lockers can receive an ongoing APY bonus, paid in KSU tokens, but only if they have achieved (and maintain) certain Loyalty Levels (outlined below). The amount of APY bonus is subject to change, depending on the need to attract more Liquidity Providers to the Kasu platform.



Loyalty Level

The extent to which a Liquidity Provider benefits from the utility of Deposit and Withdrawal Priority, along with APY Bonus, is dependent upon Loyalty Level. A Liquidity Provider's Loyalty Level is determined by their rKSU value relative to existing (and pending) USDC Lending Pool deposits.

As noted by the below formula, the value of rKSU is pegged to the value of KSU. This value of rKSU is referred to as a synthetic value, given that it is non-transferable and temporary. I.e. it only remains in place whilst KSU remains locked and is therefore burned once unlocked.

The formula applied to determine Loyalty Levels is as follows:

$$\frac{(\text{rKSU} * \text{KSU Token Price in USDC})}{(\text{Existing Lending Pool Deposits} + \text{Pending Lending Pool Deposits})}$$

Loyalty Levels, and associated utility and benefits, are as follows:

- **Loyalty Level 0:** if the value of a Liquidity Provider's rKSU balance relative to total current and pending USDC deposits is less than 1%, then no withdrawal or deposit priority benefits or bonus APY apply. Deposit/withdrawal requests are processed after Loyalty Level 1 and 2 Token Lockers.
- **Loyalty Level 1:** if the value of a Liquidity Provider's rKSU balance relative to total current and pending USDC deposits is 1% or greater, but less than 5%, then the following utility and benefits apply:
 - Second order priority access to lending pools (behind Loyalty Level 2).
 - Second order priority for capital withdrawals from lending pools (behind Loyalty Level 2).
 - Additional APY from deposits in all lending pools, awarded in KSU.
- **Loyalty Level 2:** if the value of a Liquidity Provider's rKSU balance relative to total current and pending USDC deposits is 5% or more, then the following utility and benefits apply:
 - First order priority access to lending pools.
 - Firstly order priority for capital withdrawals from lending pools.
 - Additional APY (more than Loyalty Level 1 Token Lockers) from deposits in all lending pools, awarded in KSU.



Those who have not had their withdrawal request processed after 5 Epochs will be elevated to the highest priority (in line with Loyalty Level 2), regardless of their existing Loyalty Level. However, despite the loyalty hierarchy, a Pool Delegate may apply forced withdrawals at its discretion and this takes precedence over all other requests. These Withdrawal requests are processed first, during the next clearing period, regardless of a Liquidity Provider's Loyalty Level to ensure operational compliance and integrity.

Upon maturity of a KSU locking period, any amount of KSU can be unlocked. There is no requirement to unlock the entire amount. However, once KSU is unlocked, the proportionate balance of rKSU is burned. This may adversely affect the Loyalty Level should the remaining value of rKSU relative to current and pending USDC deposits falls below 5% (for Loyalty Level 2) or below 1% (for Loyalty Level 1).

Given that a key driver of the Loyalty Level formula depends upon the price of KSU (to derive the synthetic value of rKSU), token price fluctuations will also affect Loyalty Levels (both positively and negatively).

The Kasu Loyalty Level system is specifically designed for inclusiveness, regardless of a Liquidity Provider's wealth or socio-economic background. This is achieved by the ratio driven formula of rKSU relative to USDC deposit, as opposed to rewarding absolute USDC deposit balances. This enables a Liquidity Provider (who is also a Token Locker) with just 1,000 USDC deposited to achieve more utility (higher deposit and withdrawal priority) than a Liquidity Provider with, say, 1,000,000 USDC deposited.

Benefits for Token Lockers who are not also Liquidity Providers

The following benefits are available for all Token Lockers, regardless of whether they are also a Liquidity Provider.

Protocol Fee Sharing

The Kasu protocol fee model derives 10% of the gross yield earned by Liquidity Providers. KSU Token Lockers can claim a share in 50% of this fee derived from the Kasu protocol's lending activity. This equates to 5% of all Liquidity Providers' total yield .

The proportion of this amount to which a KSU Token Locker is entitled is based on their value of rKSU. For example, in a scenario where a total of 1,000 rKSU exists in the entire Kasu ecosystem, a Token Locker who owns 150 of these rKSU would be entitled to 15% of all Protocol Fees allocated to KSU Token Lockers. This proportionality is augmented as more KSU tokens are locked (or unlocked) to



generate more rKSU (or burn more rKSU), entitling them to a proportionate share of protocol fees.

Note that KSU Token Lockers do not have to undergo the Kasu KYC process to lock their KSU tokens.

Protocol fee sharing is based on the fees generated by Kasu, which totals 10% of all yields generated for Liquidity Providers. This fee is shared as follows:

- 5% is allocated proportionally to KSU Token Lockers based on their rKSU token balance.
- 5% is allocated to the Kasu Protocol wallet.

For example, assume a Lending Pool offers 20% APY to Liquidity Providers. The associated protocol fees are therefore shared as follows:

- 1% is allocated to KSU token lockers (based on the above requirements). i.e. this represents 5% of 20% APY paid by the Lending Pool
- 1% is allocated to the Kasu protocol wallet, which represents the remaining 5% of the 20% APY.

It is noted that the Pool Delegate derives revenue by adding a margin to the 20% APY example when it originates loans to its business borrower clients. This portion does not get captured in the above fee structure.

KSU Launch Bonus

A total of 5% of the KSU token supply is allocated to a Launch Bonus Locking Program, which rewards KSU Token Lockers with additional KSU if they lock for longer periods. The reward structure for this bonus is as follows:

Locking Duration	KSU Multiplier
30 days	0.00x multiplier (1%)
180 days	0.10x multiplier (10%)
360 days	0.25x multiplier (25%)
720 days	0.70x multiplier (70%)

Note that the rKSU issued to Token Lockers (outlined previously) includes these bonus tokens in the calculation.



For example, assume a KSU Token Locker locks 1,000 KSU for 360 days. They instantly receive 250 KSU (derived from their 0.25x multiplier for that locking period) to be locked alongside their 1,000 KSU. The result is a position of 1,250 KSU locked for 360 days.

Subsequently, the rKSU multiplier of 0.5x is applied, corresponding to the locking period. This results in the KSU Token Locker receiving 625 rKSU in addition to their KSU deposit.

KSU Safety Module

The Kasu Safety Module is designed to provide some degree of protection over Liquidity Providers' USDC deposits in Lending Pools in the event of a critical exploit (such as a smart contract hack). In such an event, the Kasu Safety Model enforces automatic system freezing of all locked KSU (even Token Lockers who aren't also Liquidity Providers). The system freezing prevents Token Lockers from withdrawing their KSU tokens, during which time Kasu Admin can undertake a thorough investigation to determine the source of the exploit.

During the investigation period, Kasu will attempt to recover as many assets from the source of the exploit as possible for the benefit of Liquidity Providers who have incurred losses from the hack. If the assets from the losses are recovered, the safety module is unlocked and operations return to normal.

As a last resort, any unrecoverable assets will be filled to the greatest extent possible through an orderly liquidation process of all Token Lockers' KSU tokens that are frozen. The orderly liquidation process may occur via a carefully planned auction process, carried out in a way to minimise downward pressure on the KSU token price to ensure maximum recovery of USDC assets.

In the case that the assets cannot be recovered from the source of the exploit to make Liquidity Providers whole, it is possible that there may not be enough locked KSU to recover losses associated with USDC deposits (noting that the amount of USDC at risk of an exploit applies to excess liquidity that a Pool Delegate has not deployed into fiat loans in the 'real world,' thereby minimizing exposure risk). However, the safety module mechanism ensures that maximum benefit applies to Liquidity Providers' USDC deposits at the expense Token Lockers (who are not also Liquidity Providers), which is commonplace in most similar situations.

For example, it is designed to mimic an 'equity wipeout' to the (marginal) benefit of Liquidity Providers (depositors). This is normal convention when considering the pecking order of a for-profit organisation's capital structure, where debt holders



have first claim over liquidation proceeds before equity/stockholders, although they are rarely made whole in such an instance.

For example, in a bank, depositors have first claim in a liquidation process prior to equity/stockholders. Whilst Kasu is not a bank, or a company with such a debt and equity capital structure, the same pecking order theory is still valid in the case of the safety module.

This rationale to support the mechanics behind the safety module is further substantiated by the fact that it would not be fair and equitable for Liquidity Providers to lose their USDC deposits while KSU token lockers maintain ownership of their KSU, where at the same time, they also benefited from earning a percentage (via protocol fee sharing rewards) of the yield that Liquidity Providers earned from the platform that failed them in the case of an exploit.

Regardless of the effects and probability of a major exploit of USDC deposits, it is important to consider that such a risk on Kasu is significantly less likely than in the case of competing RWA lending platforms. This is because RWA lending on Kasu occurs off chain in fiat across multiple smaller and largely unrelated borrower profiles, whereas competing platforms lend funds in crypto, and often in significant size to one borrower. In the same way that an insurance provider is minimally impacted by a single car crash, as the isolated event does not impact every car of that make and model, Apxium's end clients are disparate and unrelated businesses, where if one defaults, the others are unaffected.

This ensures that the vast majority of Liquidity Providers' funds are deployed into business loans in the 'real world' with smaller amounts deployed across multiple highly vetted businesses, which are also logically less susceptible to smart contract hacking risk.

Governance Rights

In the future, rKSU may also present an opportunity for KSU Token Lockers to govern the acceptance of new lending pools onto the platform, given that Lending Pools act as drivers of new protocol revenue. It is expected that, over time, Kasu will move to a more decentralized governance model in keeping with the ethos of web3 and blockchain, but only at such time that it is prudent to do so.



Summary

A summary of all the above utility and benefits associated with the locking KSU is as follows:

	KSU	rKSU
Liquidity	Yes	No
Capital Priority	No	Yes
Yield Bonuses	No	Yes
Protocol Fee Share	No	Yes
Governance*	No	Yes

*Future state





Token Vesting Schedule

	Seed Sale	Strategic Sale	Public Sale	Team & Advisors	Ecosystem	Launch Inc.	Treasury	Liquidity	Total
Token Allocation	125 000 000	166 666 666	20 000 000	150 000 000	178 333 333	50 000 000	300 000 000	10 000 000	1 000 000 000
% of Total Supply	12.50 %	16.67 %	2.00 %	15.00 %	17.83 %	5.00 %	30.00 %	1.00 %	100.00 %
Token Price (\$)	0.0080	0.0120	0.0150						
Raise Amount (\$)	1 000 000	2 000 000	300 000					Total Raised >	\$3 300 000
Total Valuation at Each Round (\$)	8 000 000	12 000 000	15 000 000					Blended FDV >	\$10 285 714
Unlock at TGE	10.00%	10.00%	20.00%	0.00 %	8.00 %	12.50 %	8.00 %		
	Seed Sale	Strategic Sale	Public Sale	Team & Advisors	Ecosystem	Launch Inc.	Treasury	Liquidity	Circ Supply %
M0	12 500 000	16 666 667	4 000 000	0	14 266 667	6 250 000	24 000 000	10 000 000	8.77 %
M1	0	0	4 000 000	0	13 672 222	6 250 000	24 000 000		13.46%
M2	0	0	4 000 000	0	13 672 222	6 250 000	24 000 000		18.15%
M3	0	0	4 000 000	0	13 672 222	6 250 000	24 000 000		22.85%
M4	7 500 000	10 000 000	4 000 000	0	13 672 222	6 250 000	24 000 000		29.29%
M5	7 500 000	10 000 000		0	13 672 222	6 250 000	24 000 000		35.33%
M6	7 500 000	10 000 000		0	13 672 222	6 250 000	24 000 000		41.37%
M7	7 500 000	10 000 000		10 000 000	13 672 222	6 250 000	24 000 000		48.41%
M8	7 500 000	10 000 000		10 000 000	13 672 222		24 000 000		54.83%
M9	7 500 000	10 000 000		10 000 000	13 672 222		24 000 000		61.25%
M10	7 500 000	10 000 000		10 000 000	13 672 222		24 000 000		67.67%
M11	7 500 000	10 000 000		10 000 000	13 672 222		24 000 000		74.08%
M12	7 500 000	10 000 000		10 000 000	13 672 222				80.50%
...
M18	7 500 000	10 000 000		10 000 000					97.00%
...			
M21				10 000 000					100.00%



9. COMPETITOR MATRIX

	Lender Benefit	Kasu	Maple	Goldfinch	Centrifuge	Clearpool	TrueFi
Award-winning TradFi SaaS Partner	Better Security	Y	N	N	N	N	N
Integrated Payment Rails	Better Security	Y	N	N	N	N	N
Realtime Covenant Reporting	Better Security	Y	N	N	N	N	N
Reduce Admin Costs & Debtor Days by 50%	Better Security	Y	N	N	N	N	N
Independent Credit Assessment	Better Security	Y	N	N	N	Y	N
Independent Trust Management	Better Security	Y	N	N	N	N	N
Pooled Capital to Minimise Risk	Better Security	Y	Y	Y	Y	N	Y
Capital Priority for Token Holders	Better Access	Y	N	N	N	N	N
Bonus Yield for Token Holders	Better ROI	Y	N	Y	Y	N	N
Platform Fee Sharing for Token Holders	Better ROI	Y	Y	Y	N	Y	Y
Incentivised Token Holding	Better ROI	Y	N	N	N	N	N
Senior, Mezzanine & Junior Tranches	Better Choice	Y	N	Y	Y	Y	Y
Fully Diluted Token Value		\$15M	\$221M	\$537M	\$526M	\$283M	\$162M
Average Base APY		14.00%	7.94%	11.05%	8.73%	7.24%	0.75%



10. RISKS

There are risks when engaging with any lending activity. There are further risks added with the use of blockchain technology. The following is a non-exhaustive list of some of the risks associated with participating in activities on Kasu. Please undertake your own risk assessment prior to engaging with Kasu, or any other DeFi platform.

Default Risk: Default risk refers to the possibility that a borrower will be unable to make the required payments on their debt obligations. This risk is a critical concern for lenders (both Liquidity Providers and Pool Delegates), as it directly impacts their potential return on investment (particularly losses).

Counterparty Risk: The credit underwriting models, risk management methodologies, governance and controls of each Pool Delegate presents risks to Liquidity Providers if not carried out effectively.

Smart Contract Risk: As with any DeFi protocol, bugs or errors in the code, as well as malicious actors exploiting vulnerabilities, could lead to unexpected or incorrect results and financial losses.

Third-party Risk: DeFi protocols often rely on third-party providers for critical services and infrastructure. If these providers become insolvent or compromised, it could disrupt the DeFi ecosystem and operation of the Kasu platform and cause financial losses for users.

Liquidity Risk: This arises when there is insufficient liquidity in a pool to facilitate smooth withdrawals, making it difficult for liquidity providers to withdraw funds when required.

Market Risk: The markets and industries in which Yield Providers operate present market-based risks. Market risk also applies to the KSU token, as the value of assets traded can fluctuate.

Regulatory Risk: The regulatory environment for cryptocurrencies and DeFi is still evolving. New regulations or changes in existing laws can impact the operation of DeFi lending platforms, potentially leading to closures, additional compliance requirements, or other challenges that could affect lenders and borrowers.

As above, it is important for users to understand and manage these and other risks before participating in activities on the Kasu protocol. See the following section, 'Risk Management', for an overview of how Kasu plans to mitigate these risks.



Risk Management

Default Risk

- Launch Partner, Apxium, possesses best-in-class default risk management systems.
- Kasu will work closely with each of its Pool Delegates to ensure the Yield Providers meet stringent requirements.
- Most pools will be secured by a diversified pool of invoices. This diversification offers protection against any one particular invoice defaulting.
- Pool Delegates are regulated within their own jurisdiction.
- Pool Delegates may be required to post first loss capital, which may cover some or all of the amount in default.
- In the unlikely event of a default, the Pool Delegate will make multiple attempts to recover a late payment, including potentially taking legal action. If this is not successful:
 - The first loss capital is drawn upon.
 - The pool is reduced by the amount of the remaining unrecovered funds on the invoice in default. Then the order of priority of return of capital is:
 - Senior tranche - funds split pro rata between participants.
 - Mezzanine tranche - overflow funds are distributed pro rata between participants.
 - Junior tranche - remaining funds to be pro rata split between participants.

Smart Contract Risk

- Audits will be carried out by multiple leading smart contract audit firms.
- A bug bounty program will be run to identify potential attack vectors.
- Smart contract insurance will also be considered as an additional safety net for users.
- Only KYC'd investors/yield providers can interact with the protocol.



3rd-Party and Counterparty Risk

- **Due Diligence:** Kasu will conduct thorough due diligence on third parties to assess their financial stability, reputation, and compliance with regulations.
- **Contracts and SLAs:** We will ensure contracts include clear terms, responsibilities, and service level agreements to define performance expectations and remedies for non-compliance.
- **Continuous Monitoring:** We will regularly monitor third-party performance, security practices, and compliance through reviews and audits.
- **Risk Management Plans:** Kasu employs robust plans for managing disruptions, including contingency and exit strategies for critical third-party relationships.
- **Cybersecurity Measures:** We require strict cybersecurity standards, including data encryption and secure access controls.
- **Counterparty Risk:** We will undertake due diligence on Pool Delegates through Kasu's experienced team which has a background in credit risk management, wholesale funding, and lending to non-bank financial institutions (NBFI).

Liquidity Risk

- Liquidity risk is mitigated through the Epochs, where withdrawals can be requested during a specific time period, and withdrawal slots will be assigned by the end of each epoch.
- The withdrawals approved will depend on total requests made, current capital utilization, and locked KSU tokens. These mechanisms control the liquidity available within each pool, and help to mitigate liquidity risk.
- This is further mitigated by the lending asset classes employed by Apxium (Accounts Receivable and Payables financing), which are short duration loans.

Market Risk

- Investing in cryptocurrencies involves significant volatility and liquidity risks. Kasu will only offer borrowing and lending opportunities in stablecoins in order to mitigate against fluctuations in the broader cryptocurrency market.
- RWA loans on Kasu are also uncorrelated to crypto markets.

Regulatory Risk

- **Staying Informed:** We constantly monitor regulatory updates and engage in industry discussions to keep Kasu ahead.
- **Leveraging Legal Expertise:** Our partnership with legal experts specializing in crypto regulations helps us navigate compliance and understand new laws.
- **Robust Compliance Infrastructure:** We've built a compliance system adaptable to KYC, AML, and CTF regulations, ready for any changes.
- **Risk Management:** Regulatory risks are integrated into our risk strategy, preparing us for diverse regulatory outcomes with specific contingency plans.



11. CONCLUSION

DeFi has emerged as a powerful alternative to traditional financial systems, offering a more transparent, inclusive, and accessible means of managing assets and value.

Kasu aims to revolutionize the way businesses access capital by bringing real-world yield sources onto the blockchain. It offers an efficient use of capital, using companies like Apxium with its proprietary technology and network of yield providers, to leverage the moat they have created.

This decentralized approach enables greater flexibility and transparency throughout the process, benefitting all participants and promoting the growth of the decentralized finance ecosystem.

As the macroeconomic environment continues to evolve, Kasu aims to usher in a new era of capital flows that fosters greater financial inclusion, drives economic growth, and promotes the development of a more equitable and sustainable global financial ecosystem.



kasu.finance