



CONSTANT
FINANCE

Litepaper

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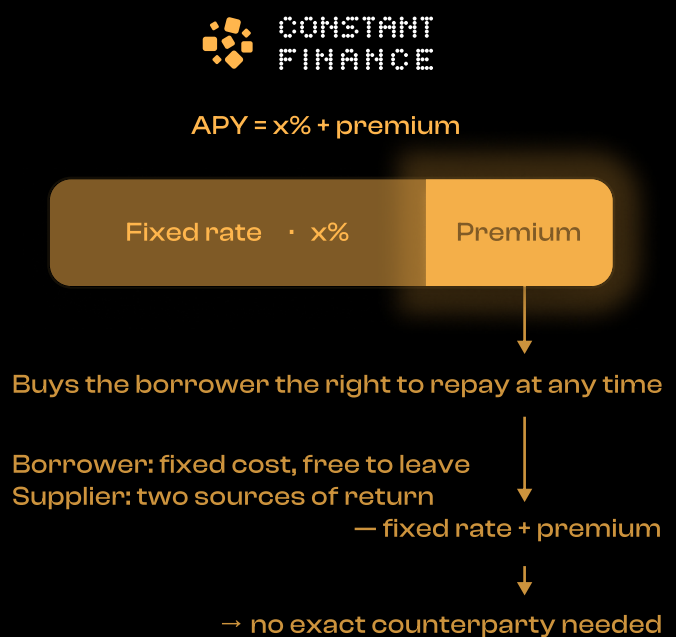
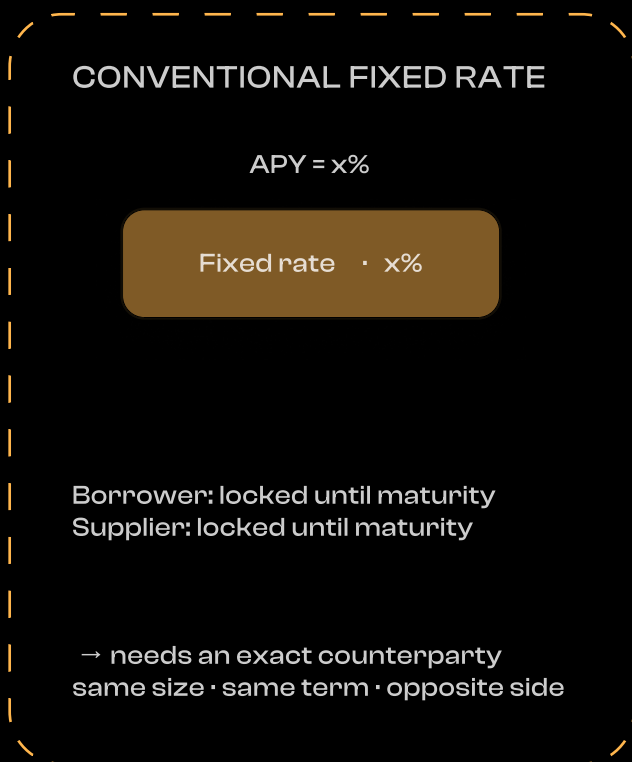
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Summary

Constant Finance is a non-custodial, peer-to-peer lending protocol. Borrowers get a rate that is fixed at origination and a loan they can repay at any time. Suppliers keep their capital in their own wallets until the moment a loan settles.

The combination is the point. A fixed rate turns an unknown cost into a known one. The right to repay early turns that known cost into a ceiling rather than a lock-in. Together they remove the requirement that fixed-rate lending has always carried — that a borrower and a supplier want the same size and the same term, on opposite sides, at the same moment.



The Problem

2.1 Fixed-rate lending demands an exact counterparty

- To write a fixed-rate loan you need someone on the other side who wants the mirror image of your trade: same asset, same amount, same term, opposite direction. That counterparty mostly does not exist. The demand is real and it simply does not clear.
- The industry's response has been to add more places to match. Every new venue splits the same order flow into smaller pieces. Distribution gets thinner; the underlying requirement — exact coincidence of wants — is untouched.

2.2 Floating rates make the cost of capital unknowable

- Under a floating rate, a borrower's cost of funds is a random variable. Any strategy whose return is bounded — carry, basis, market-making, financing a real-world cash flow — cannot be underwritten against an unbounded, unknowable cost. Faced with that, the rational decision is not to borrow at all.
- This is why on-chain credit skews so heavily toward directional, high-variance strategies. It is not a question of trust in smart contracts. It is that the instrument for earning carry has not existed on-chain in a form that a risk-managed desk can hold.

How It Works

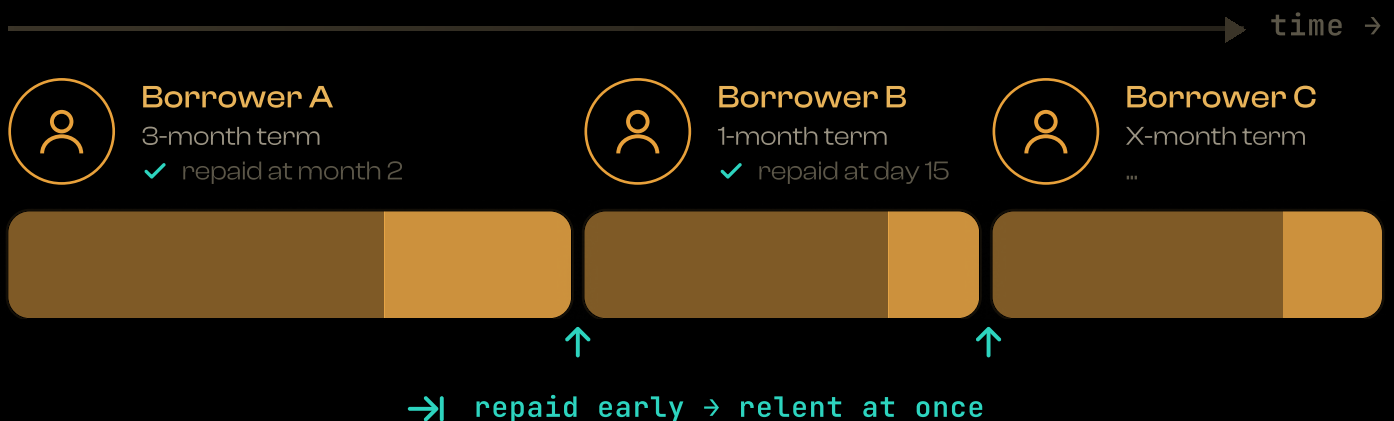
3.1 A fixed rate you can repay any time.

Every Constant Finance loan carries a rate fixed at origination, and every borrower can repay at any time with no penalty. That rate has two components: the base rate for the term, and a premium for the right to repay early. The premium is not a separate fee. The supplier prices it into the rate they are willing to lend at, and the borrower pays it only as part of the rate, only for as long as the loan is open.

For the supplier this means two sources of return, not one: the fixed rate for the term, plus the premium for the prepayment right. And when a borrower does repay early, the principal is released back to the supplier at once, ready to be lent again for the next return. For the borrower, the cost of the loan is known the moment they sign, and a better rate can be taken whenever one appears – at any time, with no penalty.



ONE SUPPLIER'S CAPITAL



✓ Different terms, one supply. No mirror counterparty needed.  Fixed rate  Prepayment premium

How It Works

3.2 Matching is off-chain. Money moves only when a loan settles.

Suppliers and borrowers sign orders off-chain: a supplier's order states the minimum rate they will lend at, a borrower's the maximum they will pay. Signing costs nothing and moves nothing. The funds stay in the supplier's own wallet. Much of the idle lending capital on-chain sits in Aave today, and a supplier does not have to move it to quote here: an order can be posted against aTokens, and the capital keeps earning Aave's supply rate while the order waits.

When a supplier's rate, plus the protocol spread, fits inside a borrower's rate, the match settles on-chain in one transaction: the supplier's funds are drawn, the collateral is taken into custody, an isolated Position opens for the borrower, and the supplier receives a transferable Constant NFT representing their claim. All of it settles, or none of it does. Rates are set by where orders overlap, not by a market maker.

Each Position is one borrower's loan with its own collateral, debt and rates; a problem in one loan does not reach another. A Constant NFT is a claim on repaid principal and funded interest — transferable, and it keeps its place in the repayment queue when it changes hands.

1 BEFORE THE MATCH

**Supplier's Wallet: aTokens**

Still Earning in 

Signed Order: **Minimum Rate**

**Borrower**

**Collateral**

Signed Order: **Maximum Rate**

2 DURING THE MATCH



⚠ Nothing moves above this line

⚡ Settlement • one transaction

**Funds Drawn**
from supplier wallet

**Collateral into Custody**
from borrower

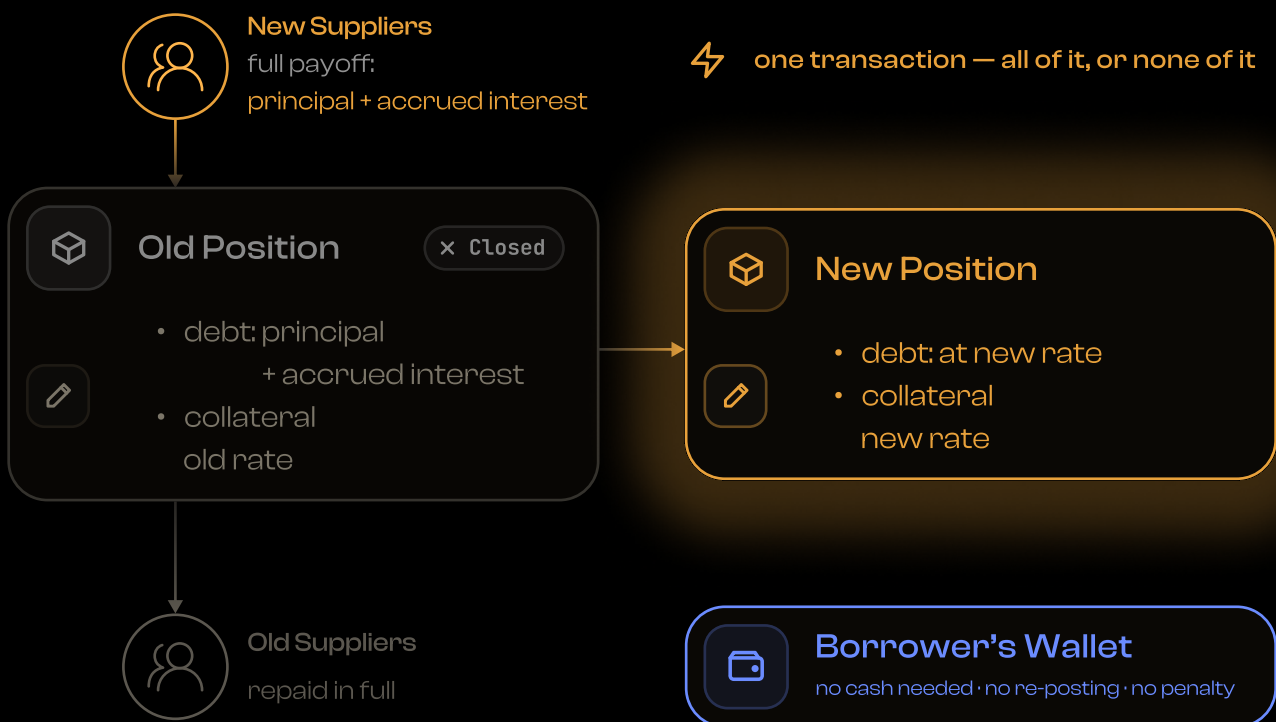
**Position opened**
isolated

**Constant NFT minted**
to supplier

How It Works

3.3 Refinance: Borrow new to repay old.

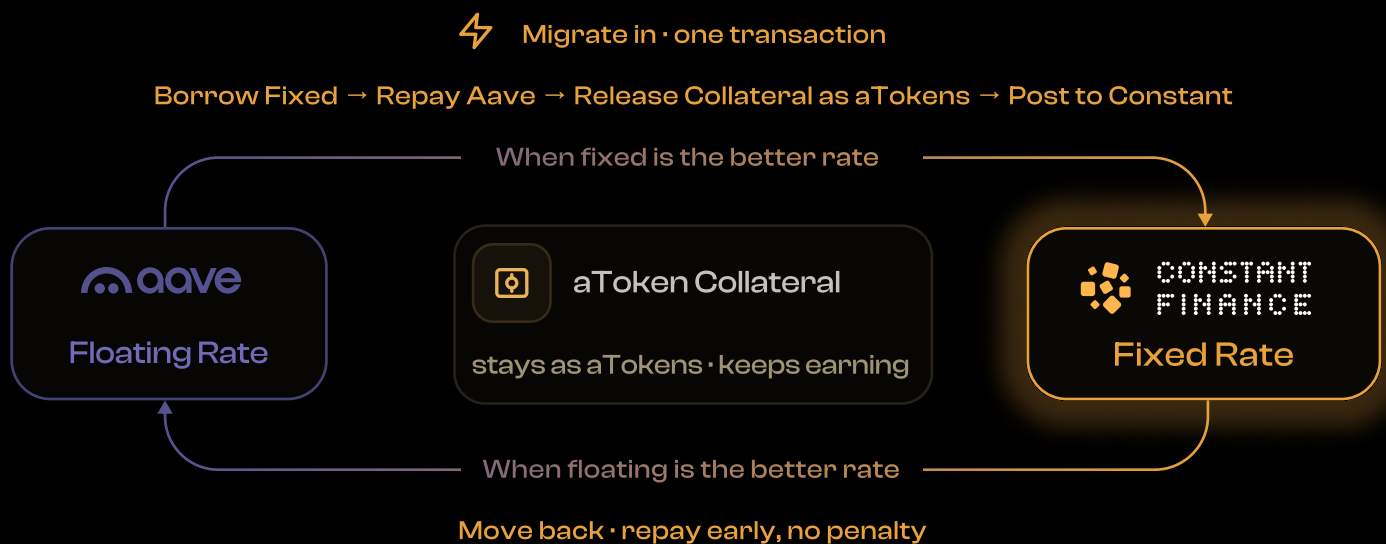
Refinance is how a borrower takes a better rate without closing out. The borrower signs a refinancing order. New suppliers are matched to fund the full payoff of the existing position — outstanding principal plus interest accrued to that moment. In one transaction the new suppliers' funds settle the old position, the old position closes, a new one opens on the new terms, and the collateral moves straight across. The borrower never needs the cash on hand, never re-posts collateral, and pays no penalty. The old suppliers are repaid in full; they are not asked to accept new terms.



How It Works

3.4 Debt can move in from Aave — and back.

The same mechanics extend to debt held elsewhere. An Aave V3 borrower can take a fixed-rate loan from Constant Finance, use it to repay Aave, release their collateral — as aTokens, if they choose — and post it to Constant Finance, in a single transaction. aTokens are accepted as collateral, so the collateral keeps earning throughout. If Aave's rate later becomes the better one, the borrower repays Constant Finance early, at no penalty, and moves back. There is no lock-in in either direction.



3.5 Liquidation is permissionless.

Position health compares debt against the risk-adjusted value of collateral, using oracle prices and a per-asset liquidation threshold. A position becomes liquidatable when its debt exceeds what its collateral supports, or when maturity has passed with debt outstanding. Anyone can liquidate: repay the debt, take eligible collateral plus a bonus. Before maturity a single liquidation may cover at most half the debt; after maturity, all of it. Liquidation is a recovery mechanism, not a guarantee that every supplier claim is repaid in full.

What Is Live Today

Signed orders, matching and settlement, positions and Constant NFTs, repayment, refinance and liquidation are deployed on a public testnet.

aToken supply orders, aToken collateral, and Aave debt migration ship with mainnet.

Market

Fixed income is not a niche. It is roughly \$160.7 trillion outstanding globally (SIFMA, 2025) and represents about 51% of total capital markets. The on-chain equivalent — lending, at any rate structure — is on the order of 2% of total crypto market capitalisation. The penetration gap is more than twentyfold.

In traditional markets the overwhelming majority of deployed capital earns carry. On-chain, almost all of it chases alpha. The gap is not a difference in appetite; it is the absence of an instrument.

The near-term addressable set is enumerable rather than estimated. On Ethereum mainnet's Aave V3 alone, floating-rate debt that is structurally mispriced relative to a fixed, prepayable alternative has an upper bound in the high hundreds of millions of dollars — before counting L2 deployments or any other lending venue. These are identifiable positions, not a survey.

The first cohort of demand comes from two places: that migratable debt, and the fact that basis and carry participants are natural counterparties on both sides— the same desks that need to borrow also have assets to supply.

Token

Constant Finance will have a token. Its allocation and unlock schedule will be published in full at TGE.

One design constraint is worth stating now, because it is the part that is easy to promise and hard to keep. However protocol revenue accrues to the token, that accrual must be **fixed in the mechanism itself — automatic, and not contingent on a future governance vote**. A revenue switch that needs a governance war to flip is not a claim on revenue.

Status

The protocol is deployed and running on Ethereum Sepolia. Contract addresses, supported assets, and the full risk configuration are published in the protocol documentation.

Constant Finance is **in audit**. Mainnet is targeted for later this year.

Live scope is supply, withdraw, borrow and repay, with liquidation and refinance. aToken supply orders, aToken collateral, and Aave debt migration arrive with mainnet.

