

# A Tokenized Path out of AML Isolation

Enabling Traceable Microfinance in Lebanon with DebLeb, by Zakaryae Boudi and Jiulin Teng

In the wake of Lebanon's financial collapse and inclusion on the FATF grey list, one of the most pressing barriers to recovery has been the lack of trust and compliance mechanisms in financial operations, especially in sectors like microfinance. The [DebLeb protocol](#) offers a bold, practical solution: a blockchain-based infrastructure that ensures transparency and traceability and embraces progressive formalization, without imposing burdens on the most vulnerable.

## Tackling Fund Use Traceability

At the heart of the compliance challenge lies the question of fund use traceability. Traditional financial channels lack the infrastructure to track the end-use of microloans reliably, thus creating risk exposure for donors, investors, and financial institutions. DebLeb changes this dynamic. By anchoring microloan lifecycles on a secure and auditable blockchain, the protocol allows for granular reporting, even at the level of individual final beneficiaries.

Meanwhile, DebLeb's approach is not top-down or punitive: it is designed to be progressive and incentivized. Rather than forcing rigid compliance from the outset, the system encourages beneficiaries to report expenses voluntarily, for instance by uploading a simple photo of a purchase via mobile app. These actions are registered on-chain and linked to the loan's lifecycle, creating a tamper-proof history of fund use. In return, beneficiaries build a "trust score", thereby unlocking access to better financial terms, new services, or higher loan ceilings over time.

This creates a virtuous cycle: the more beneficiaries engage, the more visible and reliable the ecosystem becomes, which facilitates formalization, enables future taxation potential, and addresses core AML concerns without alienating those most in need.

## De-Risking Microfinance Institutions

For microfinance institutions (MFIs), this transparent infrastructure is not only a compliance asset but a strategic lifeline. Operating in a context where international financing is constrained due to reputational and legal risks, MFIs often struggle to attract sustainable funding. By adopting DebLeb, they gain a traceable, compliant-by-design system that provides reassurance to donors, DFIs, and investors.

In essence, DebLeb helps MFIs bridge the compliance gap, enabling sustainable capital inflows. This can be the foundation of a new, inclusive financial ecosystem where trust is rebuilt from the bottom up, with technology that works for everyone.

## Designing a Path to Institutional Confidence

Naturally, the exact reporting methods and incentives must be tested and refined on the ground, with beneficiaries and institutions teaming up to identify what works best. Still, the direction is clear: blockchain enables a lightweight, scalable, and verifiable infrastructure that supports Lebanon's return to financial prosperity, starting with microfinance, but laying the groundwork for broader economic revitalization.

In short, DebLeb offers more than a protocol. It is a pathway out of opacity, toward a financial future where Lebanon's most excluded actors help rebuild the very trust the system so desperately needs.