

charon tokenomics

A charon system is incentivized by a charon incentive token (CIT). A CIT will be minted via a weekly auction and garner fees from future auction proceeds and trading fees in the system. The token will be deployed on one chain (e.g. Ethereum), but payments will be made on the first of each month on every chain, based on the CIT holder's balance, which is passed to other chains via an oracle.

the auction

The charon incentivize token (CIT) is a token associated with the charon system. Its purpose is to bootstrap usage of the system and promote activity such as oracles, keepers, liquidity providers, and usage subsidies to foster a larger anonymity set. An initial amount can be set in the constructor (e.g. 100,000) for distribution on deployment, and then a set number of tokens are minted each week for perpetuity (e.g. 2,000). The distribution of these tokens is determined by a public auction that ends each week. The proceeds from this auction will be sent to the charon fee contract on the CIT's chain.

the charon fee contract

The charon fee contract (CFC) is a distributor contract on each chain. Revenue from various tokens come into the contract and are distributed as incentives to the charon system.

revenue streams

The only fees in the charon system are basic amm fees. The system will be initialized with a .6% fee on all trades, a number in range with other amm systems. 50% of this fee be given directly to LP's and the other 50% will go to the CFC. This will be the only revenue on most chains, however on the CIT's chain, 100% of the auction proceeds will also be distributed to the CFC.

Distribution (can be changed in constructor)

- 10% oracle incentives
- 20% yield farming rewards
- 20% usage farming rewards (to bolster larger anonymity sets)
- 50% staking rewards given to CIT holders

All distributions will happen once a month from the CFC on the first of month.

alternate chains

Staking rewards are given to holders on each chain based upon their CIT balance at the start of each month. Since CIT is only on one chain, a snapshot of balances is taken on the first of each month and then passed over to alternate chain CFCs for distribution¹.

¹ <https://github.com/tellor-io/crosschainBalances>

upgradeability and distribution changes

There is no upgradeability or governance in any piece of the Charon system. If a new charon system (fee / amm contract combination) is launched, a new CIT token must be launched with it (the old CIT token will not work).

responsibility, governance, and disclaimer

CIT token holders have no governance stake, voting responsibility, or rights in the system. The contracts are immutable and cannot be changed. There is no reason to buy these tokens other than to accumulate fees paid to the various CFCs for each chain and deployment. The token is not live before the charon system. The charon system may fork the token out of the system. It functions fine without it. The token is used solely to bootstrap the system and gain a slight network effect for useful liquidity. Long term, the game theory plays out such that the token will likely be abandoned to lower fees.