This is the latest submission under the new proposal format. Community vote has not taken place. We have also submitted this proposal using the Season 3 application form.

Project Name:

KyberSwap by Kyber Network

Author Name and contact info:

Shane Hong | Optimism forum:@shaneMkt | Twitter: shaneMkt | Email: shane@kyber.network | Telegram:shaneHk

I understand that I will be required to provide additional KYC information to the Optimism Foundation to receive this grant

: Yes

I understand that I will be expected to following the public grant reporting requirements outlinedhere:

Yes

L2 recipient address (updated):

Grants received at:

0x5891be896ed4a79ed928c55b17fbbecdb46f8a00

Additional address - KyberDAO Multisig:0x91c9D4373B077eF8082F468C7c97f2c499e36F5b

Which Voting Cycle are you applying for?

:

Season 3, Cycle 10

Which sub-committee should review your proposal?(Builders Grants, Growth Experiment Grants)

: Growth Experiment Grants

Project description (please explain how your project works):

KyberSwap is a DEX aggregator and liquidity platform on Optimism that aims to provide the best rates for traders, while enabling liquidity providers to maximize earnings through capital efficiency. Kyber is an Ethereum and DeFi pioneer, was the most used DeFi protocol in 2019, and now a top 3 DEX in terms of volume on Optimism

KyberSwap has been deployed on Optimism since July 2022 and shares its motivation for a collaborative cyberspace. OP and KNC incentives would be used by KyberSwap to drive user, liquidity, and ecosystem growth. In particular, KyberSwap plans to work together with top DeFi projects such as Lido, QiDAO, and Synthetix on joint growth activities, as well as leverage our strong presence in Southeast Asia (SEA) to grow the Optimism community (both users and builders) in the region.

KyberSwap brings substantial benefits to Optimism users:

1. For Traders:

KyberSwap aggregates liquidity from different DEX pools (including KyberSwap's), getting the optimal trade route and best price. This may even route volume to external DEXes such as Velodrome or Uniswap depending on the quality of liquidity, thus further contributing to the Optimism ecosystem. Traders can identify tokens that are 'Trending' or 'Trending Soon' using a detection algorithm that tracks on-chain metrics as volume and market cap.

1. For Liquidity Providers

: LPs deposit tokens into liquidity pools and earn compounding fees. Pools are flexible and have features such as anti-sniping and concentrated liquidity, mimicking higher levels of liquidity and achieving better capital efficiency, volume, and returns. By extension, this means OP grants used as liquidity incentives would result in a much bigger impact on liquidity and swap rates compared to typical DEXes.

1. For developers

: Optimism Dapps and wallets can integrate with KyberSwap pools and aggregation API to provide the best rates for their own users, saving time and resources. Chainlink is already supporting price feeds for the KNC token on Optimism so KNC can also be used as collateral on lending platforms.

Project links:

- Website: https://kyberswap.com/ | https://kyber.network/

- Twitter: https://twitter.com/kybernetwork/

- Discord/Discourse/Community: https://discord.gg/kyberswap

- Documentation: https://docs.kyberswap.com

- Github: [KyberNetwork · GitHub](https://github.com)

Additional team member info (please link):

Founders and Advisors

- [Victor Tran: CEO | Forbes 30 under 30](#) | Twitter: https://twitter.com/vutran54

- [Loi Luu: Heading Kyber Ventures | Forbes 30 under 30](#) | Twitter: [https://twitter.com/ loi_luu/](https://twitter.com/loi_luu/)

- Yaron Velner: Founder of [B.Protocol](#), current KyberSwap advisor | Twitter: https://twitter.com/yaron_velner

- [Vitalik Buterin: Advisor, Kyber's launch](#)

Proposal author from Kyber team

- Shane Hong, Head of Strategy for DAO & Tokenomics | Email: shane@kyber.network | Twitter: https://twitter.com/shaneMkt | Telegram: [shaneHk](#)

- Other team members you can contact:

- Sasha Mai, Head of Business Development | Email: sasha@kyber.network | Twitter https://twitter.com/mai_defi | Telegram: [sashamai](#)

- Melvin, Operations Manager | Email: melvin@kyber.network | Telegram: [mrkwhg](#)

- Sasha Mai, Head of Business Development | Email: sasha@kyber.network | Twitter https://twitter.com/mai_defi | Telegram: [sashamai](#)

- Melvin, Operations Manager | Email: melvin@kyber.network | Telegram: [mrkwhg](#)

Please link to any previous projects the team has meaningfully contributed to:

Kyber is a mature project that is a pioneer in the Ethereum and DeFi space and has been operational for 4+ years without facing any major vulnerability.

- Kyber [initiated](#) and co-launched [Wrapped Bitcoin (WBTC)](#), the most used wrapped version of BTC in the DeFi space today, and we aim to bring similarly innovative initiatives to the Optimism space.

- Kyber has partnered with [Lido Finance](#) to bring low slippage, optimized liquidity for liquid staking pairs such as wstETH (as well as USDC, ETH, LDO liquidity) to Optimism and Ethereum.

- Kyber has [partnered with Multichain](#) to provide an alternative UI with seamless bridging of cross-chain assets to Optimism.

- Created the Waterloo Cross-chain Bridge in 2019, a decentralized practical bridge between EOS and Ethereum, which inspired [NEAR protocol's Rainbow Bridge](#).

- Kyber has organized and participated in various hackathons that contributed to the launch of top DeFi projects. Examples:

- [Kyber DeFi Hackathon](#) 2019 with our partners Enzyme Finance (previously called Melon), Synthetix, Chainlink, bZx, Compound, and WBTC, helped launch [Zapper](#) (previously called DeFiZap)

- Kyber's bounties in Ethereum hackathons such as ETHSingapore and ETHBerlin helped launch [1inch.io](#)

- [InstaDapp](#) won a Kyber bounty with their integration in ETHIndia 2018, contributing to their successful launch

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Relevant usage metrics (TVL, transactions, volume, unique addresses, etc. Optimism metrics preferred; please link to public sources such as Dune Analytics, etc.):

KyberSwap metrics

- Top 3 in DEX volume despite not having received any OP grants before and with much less Total Value Locked (TVL) compared to the current highest-TVL DEXes. Source: [Dexs - DefiLlama](#)
- Volume on 3 Dec 2022:

[

image

2186×610 148 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/3/35114c4761e5ed35a882d302896a3f4a6fe5a8be.jpeg)

- Volume on 27 Jan 2023:

[

image

1503×464 80.4 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/2/2129eadb3ddf76e14273e2d902dd94dc7c4eb224.png)

Note: Volume displayed on defillama is direct volume through KyberSwap pools, not KyberSwap aggregator volume.

- Volume on 3 Dec 2022:

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Note: Volume displayed on defillama is direct volume through KyberSwap pools, not KyberSwap aggregator volume.

- Current DEX integrations on Optimism: Velodrome, Uniswap, Curve, BeethovenX, Synapse, Zipswap, and Synthetix

- Current TVL on KyberSwap pools on Optimism only: $9M

- Top volume contributor for wstETH on Optimism. Source: https://www.coingecko.com/en/coins/wrapped-steth#markets

Other KyberSwap stats

- 50+ DeFi/GameFi Dapp integrations

- Over $13.7 Billion+ worth of lifetime trading volume

- 577K web visits (Average last 3 months - similarweb)

- 616K cumulative lifetime unique users on Ethereum (New + Legacy KyberSwap -pro.nansen.ai)

- 6,000 average DAU

- 15,000 average daily transactions

- Current TVL on all KyberSwap pools: $110M+

- Total TVL accounting for aggregated DEXes: $24B+

- More KyberSwap liquidity pool stats can be found on our [KyberSwap analytics dashboard](#) and aggregator stats can be found on our [holistics dashboard](#).

Competitors, peers, or similar projects (please link):

Curve, Uniswap, Velodrome, 1inch, Paraswap

Is/will this project be open sourced?

Yes

Optimism native?

No. Ethereum native. But already deployed on Optimism.

Date of deployment/expected deployment on Optimism:

[July 13, 2022](#)

Ecosystem Value Proposition:

What is the problem statement this proposal hopes to solve for the Optimism ecosystem?

Deep crypto liquidity is essential for any burgeoning ecosystem such as Optimism, and this is relevant to both new and mature DeFi or GameFi projects alike. Market makers/liquidity providers need a capital efficient and flexible venue to add liquidity and earn from their contributions. In parallel, traders need a simple method to aggregate liquidity from different DEXes to swap tokens at the best rates. There is a lack of a single DEX platform that offers both important functions (efficient liquidity + best rates through aggregation) at the same time for users, while incentivizing them to participate in the Optimism ecosystem. Moreover, despite a fast-growing community in western regions, Optimism's presence in SEA is not as strong as it should be; KyberSwap can help with that.

How does your proposal offer a value proposition solving the above problem?

KyberSwap will use the OP grants to bootstrap and deepen liquidity for popular pairs on Optimism. This is achieved by incentivizing liquidity providers to deposit liquidity (and yield farm) into KyberSwap's concentrated liquidity

pools, which would enable much more efficient use of their precious capital. KyberSwap would endeavor to utilize the OP grants in a sustainable manner so that liquidity is retained beyond the yield farming period. Moreover, KyberSwap will be using our own KNC funds to encourage more trading on Optimism, further contributing to volume and fees earned by liquidity providers on KyberSwap.

Even external DEXes that are integrated by KyberSwap aggregator, such as Velodrome, Uniswap, Curve, BeethovenX, Synapse, Zipswap, or Synthetix, benefit when we direct volume to them (via liquidity aggregation for the best rates).

A combination of OP and KNC grants would be used with guidance from OP Labs to grow the Optimism builder ecosystem and community in SEA through grants and business development initiatives.

ALL OP grants will be distributed to Optimism users for their benefit.

The Kyber team or KyberDAO will not be receiving any of the funds.

Grants would be allocated as incentives for popular token pairs that have the highest potential for usage and trade volume on Optimism. This is especially pertinent for pairs that currently lack concentrated liquidity support and are capital inefficient.

The following pairs are already being incentivized on KyberSwap with KNC incentives as part of our [Optimism liquidity mining campaign:](#)

- wstETH / ETH

- ETH / sETH

- USDC / DAI

- USDC / MAI

- wstETH / USDC

- USDC / USDT

- USDC / sUSD

- ETH / USDC

- USDT / DAI

- OP / USDC

- wstETH / WBTC

- ETH / OP

- wstETH / MAI

- OP / KNC

- ETH / KNC

- mKNC / MAI

- KNC / LDO

- AAVE / KNC

- SNX / KNC

Partners:

We have partnered with QiDAO and Lido Finance to facilitate deeper liquidity for their relevant token pairs on Optimism. The partner pairs being incentivized on Optimism:

With Lido Finance

- wstETH / ETH

- ETH / sETH

- wstETH / USDC

- wstETH / WBTC

With QiDAO

- USDC / MAI

- wstETH / MAI

- mKNC / MAI

The following pairs will be considered for OP incentives if we receive them (subject to change; will be further discussed with the Optimism team and community):

- USDC / SUSD

- USDC / USDT

- USDC / WETH / wstETH

- OP / WETH / wstETH

- DAI / WETH / wstETH

- USDT / WETH / wstETH

- WBTC / WETH / wstETH

- USDC / WETH / wstETH

- OP / USDC

OP incentives may be allocated evenly between the pools or according to specific criteria such as the historical trading volume of the token pair and the liquidity level on Optimism etc. Roughly $2M worth of KNC

would be allocated to Optimism users for liquidity mining, with additional rewards for ancillary marketing and community activities.

On top of these initial pairs and partners, we will also allocate a portion of grants for future partners.

Why will this solution be a source of growth for the Optimism ecosystem?

1. Bringing users and developers to Optimism

2. KyberSwap has many Dapp integrations with multi-chain exposure. Using the incentives, we want to enable more users and developers from other networks to bridge to and build on Optimism. This would be the case for popular DeFi projects as well e.g. QiDAO and Lido Finance, whom we are already working with on Optimism.

3. Farming incentives, along with KyberSwap's concentrated liquidity, auto-compounding LP fee, and anti-sniping features, will increase TVL and volume, driving higher yields and attracting more LPs. We ran a similar campaign on Polygon last year and hit an ATH TVL of $145M.

4. KyberSwap's concentrated liquidity (through Elastic Pools) enables trades to have much better slippage for a given level of TVL when compared to a typical Uni v2 AMM DEX. For example, KyberSwap is already the 3rd highest volume contributor on Optimism despite not having received any OP and with much less TVL compared to other DEXes on Optimism.

5. Deeper liquidity: Swap with better slippage and at the best rates

6. KyberSwap Elastic's concentrated liquidity pools enable high capital efficiency for LPs; similar to the Uni v3 tick-based AMM but with compounded fees for LPs in a full price range pool and anti-sniping/JIT that protects earnings.

7. Unique NFT liquidity position farming mechanism (the first in DeFi to our knowledge) which can account for both time of active liquidity provided and target trading volume of the pool.

8. As a DEX aggregator, KyberSwap users always enjoy the best rates, and this indirectly brings volume and fees to other DEXes on Optimism e.g. Curve, BeethovenX, Synapse, Zipswap, Uniswap, and Synthetix.

9. Developers can integrate KyberSwap's aggregator API to enable the best rates for their own Dapp users on Optimism. E.g. KyberSwap was integrated by DEXTools.

10. Additional KNC marketing rewards

11. KyberSwap will provide additional KNC rewards on top of liquidity mining incentives through various marketing activities including referral campaigns, trading contests, lotteries, and airdrops etc., which would help attract more users to Optimism.

12. Media coverage of Optimism

13. KyberSwap will be spending resources for owned, earned, and paid PR/Media to promote the liquidity mining campaign and other activities, bringing further attention to the Optimism brand.

14. Investments in the Optimism Ecosystem and Community, especially in SEA

15. KyberSwap has a strong community and partner network in the SEA region. Pre-Covid, Kyber ran the largest monthly Ethereum meet-up events in Vietnam and is an active member of the Ethereum community in Singapore. We are long-time members of DeFi Alliance DAO and Asia DeFi Network. We have the experience to invest in and grow the Optimism community at the local grassroots level, especially in SEA.

16. Kyber Ventures actively invests in DeFi/GameFi Dapps and builders and this would apply to Optimism-based projects too. This would help to grow Optimism's Dapp ecosystem, which would in turn result in a rise in users, volume, and liquidity.

Has your project previously applied for an OP grant? If successful, please link to your previous grant proposal and provide a brief update on milestones achieved with the grant. If unsuccessful, and this is a resubmission, please specify how you have incorporated significant changes in accordance with feedback.

This proposal is a resubmission under the new required proposal format. The previous proposal under the old format received positive support from multiple parties including at least 2 Optimism delegates:

- MoneyManDoug: https://gov.optimism.io/t/ready-gf-phase-1-kyberswap/3302/16?u=shanemkt

- Mteoptimism: https://gov.optimism.io/t/ready-gf-phase-1-kyberswap/3302/17?u=shanemkt

KyberSwap is currently a top 3 DEX on Optimism in terms of trading volume. KyberSwap will be allocating our own KNC token co-incentives (~$2M) to complement the OP grants requested.

Number of OP tokens requested:

250,000 OP.

Note: We have revised our requested amount based on feedback from the Grants Council - Growth Experiment Grants subcommittee.

Did the project apply for or receive OP tokens through the Foundation Partner Fund?:

No

If OP tokens were requested from the Foundation Partner Fund, what was the amount?

:

N.A.

How much will your project match in co-incentives? (not required but recommended, when applicable):

Roughly $2M worth of KNC

would also be given to Optimism users for liquidity mining, with additional rewards for ancillary marketing and community activities. Some of our KNC incentives will be allocated to future partners. More can be considered depending on the success of the initial campaign and future grants.

Proposal for token distribution:

- How will the OP tokens be distributed? (please include % allocated to different initiatives such as user rewards/marketing/liquidity mining. Please also include a justification as to why each of these initiatives align with the problem statement this proposal is solving.)
- 60% for liquidity mining campaigns on selected token pairs to benefit Optimism liquidity providers. In addition, KyberSwap will utilize our own KNC funds to grow the Optimism community in SEA, as well as boost trading volume via trading contests and marketing initiatives.
- 30% for strategic liquidity mining partnerships with top DeFi projects such as Lido, QiDAO, and Synthetix, which would help amplify the network effects on Optimism.
- 10% for liquidity mining activities with future partners for the benefit of Optimism users.
- 60% for liquidity mining campaigns on selected token pairs to benefit Optimism liquidity providers. In addition, KyberSwap will utilize our own KNC funds to grow the Optimism community in SEA, as well as boost trading volume via trading contests and marketing initiatives.
- 30% for strategic liquidity mining partnerships with top DeFi projects such as Lido, QiDAO, and Synthetix, which would help amplify the network effects on Optimism.
- 10% for liquidity mining activities with future partners for the benefit of Optimism users.
- Over what period of time will the tokens be distributed for each initiative? Shorter timelines are preferable to longer timelines. Shorter timelines (on the order of weeks) allow teams to quickly demonstrate achievement of milestones, better facilitating additional grants via subsequent proposals.
- Over 3-6 months, with ample time for more users to be aware of the campaigns and bridge assets to Optimism. This also gives KyberSwap the flexibility to continually optimize our liquidity mining campaign and marketing efforts for the best possible outcome.
- We can work with shorter timelines if required and welcome recommendations from the Grants Council.
- Over 3-6 months, with ample time for more users to be aware of the campaigns and bridge assets to Optimism. This also gives KyberSwap the flexibility to continually optimize our liquidity mining campaign and marketing efforts for the best possible outcome.
- We can work with shorter timelines if required and welcome recommendations from the Grants Council.

- Please list the milestones/KPIs you expect to achieve for each initiative, considering how each relates to incentivizing sustainable usage and liquidity on Optimism. Please keep in mind that progress towards these milestones/KPIs should be trackable.

Revised on 24 Feb based on [feedback from the Grants Council.](#)

Milestones

- Maintaining our top 3 position

in DEX trading volume on Optimism, while targeting the No.1 spot as we improve our capital efficiency[Source: Defillama](#)

- Total cumulated KyberSwap trading volume on Optimism to be +$540M higher

(to reach >= $1.3B) than when grant funds are received. Currently $760M on 24 Feb.[Source: Defillama](#)

- Increasing total 24H Volume share contributed to Optimism to >=12%

. This was 7% on 27 Jan, 9% on 24 Feb.[Source: Defillama](#)

- Total number of actively traded pairs/pools on KyberSwap on Optimism to hit 30

. This means increasing the number of trading pairs/pools on Optimism by an additional 5. Currently 25 actively traded pairs on 24 Feb. [Source: KyberSwap.com (Optimism)](#)

- TVL on KyberSwap pools on Optimism to be >=$18M

. It was $9M on 27 Jan, $12M on 24 Feb.[Source: Defillama](#)

- +2 more DeFi partnerships

on Optimism since the start of the grant funding, to amplify the impact of OP grants received. Currently partnered with Lido Finance and QiDAO.

- Leveraging KyberSwap's reputation and wide Dapp network to bring more users to Optimism as we work with future partners.
- Helping to expand the Optimism ecosystem in the SEA region. Open to working on growth experiments together with OP Labs and Optimism community.

Notes:

This is based on a 6-month time period and assumes we get the grant amount requested. We can evaluate our performance with the Grants Council periodically e.g. after the first 3 months.

If 50% of these milestones have not been reached by 3 months after receipt of half of the requested OP tokens, KyberSwap will submit a revised distribution plan to increase the odds of meeting the total goal.

Performance Summary

After 6 months, on the completion of all milestones, KyberSwap will submit a summary of results to the Grants Council. This should be completed no later than 6 months after receipt of OP tokens, even if some milestones are incomplete.

- Maintaining our top 3 position

in DEX trading volume on Optimism, while targeting the No.1 spot as we improve our capital efficiency[Source: Defillama](#)

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- Helping to expand the Optimism ecosystem in the SEA region. Open to working on growth experiments together with OP Labs and Optimism community.

- Why will incentivized users and liquidity on Optimism remain after incentives dry up?

KyberSwap has devised a strategy for sustainable liquidity mining on Optimism through:

1. Active optimization of the liquidity pools and incentives

KyberDAO funds (already approved by KyberDAO earlier) would be used to seed liquidity on concentrated liquidity pools on Optimism. Depending on market conditions, the LP fee tier and price range of the pools can be customized and liquidity reallocated to ensure better rates and volume, which in turn increases organic yield APR% for LPs.

OP and KNC incentives can be capped for each farm once the optimal TVL (to achieve best rates) is reached, to ensure more efficient use of incentives.

1. New volume-based yield farming mechanism

Apart from the typical yield farming model based on the time period of an active liquidity position, KyberSwap introduced a new type of farm for tick-based AMMs (that have NFTs representing the liquidity position). This type of farm distributes incentives based on both the time period AND the target trading volume that the liquidity position is supporting. As such, liquidity incentives will be used efficiently for better performing farms that generate higher volume (and fees for LPs).

When the OP incentives end, TVL and user adoption are expected to have already hit the required threshold to capture sufficient trading volume and fee APR%, thus retaining existing liquidity providers and attracting new ones.

There will still be KNC incentives allocated for other activities on Optimism beyond just liquidity mining. KyberSwap plans to have a close, positive, and long-term collaboration with the Optimism team to bring more users, liquidity, and growth to the ecosystem.

Please provide any additional information that will facilitate accountability:(smart contracts addresses relevant to the proposal, relevant organizational wallet addresses, etc.)

KyberSwap smart contracts have been audited by ChainSecurity and KNC and KyberDAO contracts by Hacken.

- ChainSecurity audit: https://chainsecurity.com/security-audit/kyberswap-elastic/

- Hacken audit: https://hacken.io/wp-content/uploads/2021/04/04042021_Kyber_SC_Audit_Report.pdf

- Developer Documentation: https://docs.kyberswap.com

- KyberSwap Elastic smart contracts: GitHub - KyberNetwork/ks-elastic-sc: Main smart contract for Pro-AMM

Social channels

- Twitter: 235K followers

- Telegram: 14K members

- Discord: 7.9K members

- Forum: 580 members

- Youtube: 3.5K subscribers

- Facebook: 23K followers

- Reddit: 12.7K members

CoinGecko pages

- KyberSwap: https://www.coingecko.com/en/exchanges/kyberswap-elastic-optimism

- KNC: https://www.coingecko.com/en/coins/kyber-network-crystal

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