

This proposal seeks to add KNC (Kyber Network Crystal) to Aave v3 on Ethereum.

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## References

- Project website: <https://kyberswap.com/>
- Documentation: <https://docs.kyberswap.com/>
- Github / source code: [Kyber Network · GitHub](#)
- Ethereum contracts: [0xdeFA4e8a7bcBA345F687a2f1456F5Edd9CE97202](#)
- Chainlink Oracle - KNC/USD Price Feed :[0xf8ff43e991a81e6ec886a3d281a2c6cc19ae70fc](#)

Audits:

Because we are limited in the number of links, please find more information on our docs.

- KyberDAO & KNC audit by Hacken
- KyberSwap Elastic protocol audit by ChainSecurity
- KyberSwap Classic protocol audit by ChainSecurity

## Summary

KyberSwap (Kyber Network's flagship product) is a multi-chain DEX aggregator + concentrated liquidity platform, which aims to offer superior rates for traders and capital efficient returns for liquidity providers.

Kyber launched on Ethereum in February 2018 and is a pioneer in the DeFi space, developing one of the earliest decentralized exchange protocols (DEX) with Vitalik Buterin as an advisor. The team spearheaded the launch of WBTC (Wrapped Bitcoin) - the most popular ERC20 version of Bitcoin today (and a collateral asset on Aave V2 & V3), as well as developing liquidity pools on KyberSwap that offers concentrated liquidity and capital efficiency for any token pair. Kyber was the most used DeFi protocol in 2019 according to Binance Research and also part of the pioneer batch of Alliance DAO/DeFi Alliance mentors and Asia DeFi Network. Today, KyberSwap is one of the most popular DEX aggregators and liquidity platforms on Ethereum, Polygon, Arbitrum, Optimism, Avalanche, Base, and other chains.

This proposal aims to list the [Kyber Network Crystal (KNC) token]

as a supply and borrow collateral asset on Isolation Mode on Aave V3 Ethereum Market.

## Motivations

KyberSwap is one of the oldest and most popular DEX aggregators with an average of 500K web visitors per month. KyberSwap has already been deployed on 14 chains, including Ethereum, Polygon, Arbitrum, Optimism, Avalanche, and Base. Total trading volume has crossed \$21B+ and current total value locked (TVL) on all chains is \$60M+.

KNC is Kyber's utility and governance token, and an important part of KyberSwap operations. KNC holders can stake KNC to vote on proposals to improve KyberSwap. In return, KNC voters receive rewards from fees collected through trading on KyberSwap and other ecosystem collaborations. As more trades are executed and new protocols added, more rewards are generated.

KNC is a liquid asset with many token holders. KNC holders may want to obtain additional liquidity without selling KNC so that they can still capture potential upside in token value. With KNC supported on Aave, KNC holders can borrow funds e.g. GHO for a wide variety of DeFi use cases, such as margin trading or for new investment opportunities, all without selling their current holdings.

We are keen on a long-term, strategic relationship with Aave and adding KNC as a supply and borrow collateral asset in isolation mode is a good first step towards this objective.

## Isolation mode

Adding support for KNC on Ethereum V3 in isolated mode would allow KNC holders to borrow stablecoins by leveraging their KNC position, attracting new KNC Deposits.

## Specification

1- What is the link between the author of the TEMP CHECK and the Asset?

Shane and Maxax are from the DAO & KNC Strategy team at Kyber Network, managing Kyber's strategic efforts regarding the KyberDAO and KNC tokenomics for KNC holders.

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2- Provide a brief high-level overview of the project and the token.

KyberSwap is Kyber Network's flagship product, a multi-chain DEX aggregator + liquidity platform offering optimal trade routes and returns for liquidity providers.

### Benefits

- Traders: Enjoy superior swap rates as KyberSwap aggregates liquidity from various DEX pools, including KyberSwap's pools. KyberAI, an on-chain analytics tool created by the Kyberswap team, identifies potential trending tokens and trading opportunities, while providing insights into those tokens. Limit Orders help traders swap tokens at desired rates.
- 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. Compared to a typical AMM DEX, KyberSwap offers much better slippage for an equivalent pool and trade size and liquidity on KyberSwap would result in a much bigger positive impact on swap rates. AAVE token LPs can consider setting up a pool on KyberSwap to enjoy these advantages.
- Developers: can integrate KyberSwap pools/farms and aggregation API into their wallets and DApps, providing superior rates for users.

### General Stats

- 60+ DeFi/GameFi Dapp integrations
- \$21 Billion+ lifetime trading volume
- 500K web visits (Average last 3 months)
- 7,000 average DAU
- 15,000 average daily transactions
- Current total TVL on all KyberSwap pools: \$60M+
- Total TVL from aggregated DEXes: \$29B+

### About KNC

Token Contract (Ethereum): 0xdeFA4e8a7bcBA345F687a2f1456F5Edd9CE97202

KNC is Kyber's utility and governance token, and is an important part of KyberSwap operations. KNC holders can stake KNC to vote on KyberDAO governance proposals that determine KyberSwap improvements, protocol upgrades, fee adjustments, and other crucial decisions.

In return, KNC voters receive rewards from fees collected through trading activity on KyberSwap. As more trades are executed and new protocols added, more rewards are generated. KNC stakers are also eligible for gas refunds when they meet certain trading requirements.

KNC investors include: Hashed, Signum, ParaFi, HyperChain, and Stake Capital.

3- Explain the positioning of the token in the AAVE ecosystem. Why would it be a good borrow or collateral asset?

KNC is the governance and utility token for KyberSwap, a leading DEX and Aggregator in DeFi.

By supporting KNC on Aave V3 Ethereum, we would give an additional utility to KNC holders by allowing them to borrow stables like GHO against their collateral token. In addition, users could lend or borrow KNC for leverage trading by using Aave protocol.

- KNC is a highly liquid token but is still not on many decentralized lending platforms. Aave can easily be the biggest

venue for KNC to be used as a borrow/collateral asset.

- KNC price feeds are supported by Chainlink on Ethereum, as well as Polygon, Avalanche, BNB Chain, Optimism and Arbitrum.
- KNC has over 16,000 token holders on Ethereum, including crypto VCs and other DeFi projects.
- By supporting deposits of KNC as collateral, users can borrow stablecoins against their KNC to be used in various activities.
- By supporting KNC as a borrow asset, KNC holders would be able to lend KNC to earn interest instead of selling their tokens. On the other hand, borrowers can borrow KNC for staking and voting on Kyber governance proposals or for liquidity mining.
- There are a range of yield maximizing strategies and lower carry cost leveraged trading strategies that users could deploy.
- Kyber team would gain the ability to deposit KNC from the treasury to borrow stablecoins for various activities.

Important note: More liquidity for KNC on Ethereum can be added if required by the Aave protocol; this can be discussed with the Aave team and community. We are also willing to provide some KNC incentives for Aave users if KNC is supported as a borrow and collateral asset.

4- Provide a brief history of the project and the different components: DAO (is it live?), products (are they live?). How did it overcome some of the challenges it faced?

Kyber was founded by Victor Tran, Loi Luu, and Yaron Velner in 2017, with the first protocol live in February 2018. All 3 founders are well-known researchers in the Ethereum and DeFi community, and Victor and Loi were both Forbes 30 under 30 recipients. Yaron is also the founder of B.Protocol and Risk DAO.

Since inception, KyberSwap has successfully facilitated over \$21 billion in transactions and over a million trades for tens of thousands of users, with 60+ DeFi/Dapp integrations.

KyberSwap currently supports 14 chains including Ethereum, Polygon, Arbitrum, Optimism, Avalanche, BNB Chain, ZkSync Era, Linea, Base, Polygon zkEVM, Fantom, Cronos, Aurora, BitTorrent, and Scroll (upcoming).

- Developed one of the earliest DEXes in 2018 with Vitalik Buterin as an advisor.
- One of the first platforms to aggregate liquidity pools/sources for swaps on Ethereum by integrating different DEXes.
- Kyber initiated and co-launched Wrapped Bitcoin (WBTC), the most used wrapped version of BTC in the DeFi space today and a collateral asset on Aave.
- First to develop and launch amplified pools with high capital efficiency for any token pair (before Uniswap v3), not just stablecoins.
- In terms of 24H volume, KyberSwap is a Top 3 DEX on Optimism and Linea, Top 4 DEX on Polygon, and Top 5 DEX on Arbitrum, due to its high capital efficiency (High Volume/TVL).

#### Main Features

- DEX Aggregator: KyberSwap's aggregation algorithm automatically selects the best trade routes and prices from over 70 DEXes, saving time and money for thousands of users and offering superior rates for traders on supported chains.
- Concentrated/Amplified Liquidity Pools: KyberSwap offers Elastic Pools and Classic Pools for liquidity providers. Elastic Pools have customizable price ranges, anti-sniping features, compounded fees, and concentrated liquidity, leading to better returns. Classic Pools have an amplification factor for improved capital efficiency.
- KyberAI On-chain Analytics: Based on a proprietary scoring algorithm that uses artificial intelligence and on-chain data, KyberAI is able to help users identify high potential or trending tokens and provide key insights about the price, volume, and on-chain behavior for those tokens.
- Limit Order: KyberSwap allows users to set Limit Orders for automatic buying/selling of assets at desired prices. Buy limit orders trigger at or below the set price, while sell limit orders trigger at or above it.

5- How is KNC currently used?

KNC is Kyber's utility and governance token, and an important part of KyberSwap operations.

- Governance Rights: KNC holders can stake their tokens to become part of KyberDAO, gaining voting power to vote on KIPs (Kyber Improvement Proposals) which help govern KyberSwap and shape its development.

- **Voting Rewards:** In return for staking, voting, and participating in governance, KNC holders are able to receive a portion of protocol trading fees generated on KyberSwap. More trades on KyberSwap generate more rewards for KNC holders.
- **Gas Refunds:** KNC holders who stake their tokens are also able to enjoy gas refunds when they trade on KyberSwap, with the % of gas refunds dependent on their KNC staking tier.
- **Liquidity Provision:** KNC holders can provide liquidity for the token by pairing it with another asset (e.g. KNC-USDC) and depositing the tokens into their preferred KyberSwap liquidity pool. KNC liquidity providers earn fees from the trading activity that goes through the pool.
- **Liquidity Incentives:** KNC may be used by KyberDAO as liquidity mining rewards to incentivize liquidity providers on KyberSwap on top of standard trading fees, thereby providing more value to liquidity providers.

## 6- Emission schedule

There is currently no automatic emission of KNC. All tokens for founders and advisors from the token sale have been distributed since September 2019.

~14.3M KNC is managed by KyberDAO as part of an ecosystem growth fund to facilitate trade and liquidity mining, and other growth activities.

KNC can be upgraded or minted by KyberDAO, subject to a DAO vote by KNC holders.

## 7- Token (& Protocol) permissions (minting) and upgradability. Is there a multisig? What can it do? Who are the signers?

KNC is an upgradeable token. The overall architecture for KyberDAO is largely based on Aave's governance model with some differences/modifications such as the ability to enable the creation and voting of multi-option (generic, non-binary) proposals, and enabling the calculation of KyberDAO voting power based on a system that uses the KNC staking model.

KNC is dynamic and can be upgraded or minted by KyberDAO (only via a vote) to better support liquidity and growth.

The DAO has in-built governance safeguards to ensure that any decision or contract alteration will always be preceded by a suitable time period of preparation and reflection, as well as a minimum voter participation threshold. In addition, we have a 5/9 multisig with the role of a DAO operator that assists with operational tasks and ensuring the integrity of the DAO. The multisig comprises a mix of Kyber team members and founders of external DeFi project representatives.

The Kyber team alone does not have the power to implement major changes to the KNC token, DAO, and the protocols in the network, without going through a DAO vote.

Changes to KyberDAO and KNC can only be made by the KyberDAO via voting on a Kyber Improvement Proposal (KIP).

## 8- Market data (Market Cap, 24h Volume, Volatility, Exchanges, Maturity)

Source: Coingecko

- Circulating market cap (12 September 2023): \$90,543,409
- 24H trading volume (12 September 2023): \$10,065,292
- Etherscan: 0xdeFA4e8a7bcBA345F687a2f1456F5Edd9CE97202
- Top exchanges are already supporting the latest version of KNC. KNC can be obtained on KyberSwap as well as centralized exchanges such as Binance, Coinbase, Upbit, Bithumb, Bitrue, Crypto. com, OKX, Huobi, Bitfinex, KuCoin, Kraken, Gemini, MEXC, HitBTC, Gate. io, and Tokocrypto.

## Risk parameters

While we suggest the community wait for the feedback from risk management teams (e.g. Gauntlet), we recommend the following risk parameters to start the conversation.

Ticker: KNC

Contract Address : 0xdeFA4e8a7bcBA345F687a2f1456F5Edd9CE97202

Parameter

Value

Isolation Mode

YES

Borrowable

YES

Collateral Enabled

YES

LTV

40%

LT

50%

LB

10%

Debt Ceiling

TBD

Reserve Factor

20%

Supply Cap

TBD

Borrow Cap

TBD