Summary

Kyber Network is a multi-chain crypto trading and liquidity hub that connects liquidity from different sources to enable token trading at the best rates through its main user interface KyberSwap.com. As a hybrid DEX aggregator + liquidity platform, it aims to offer the best rates for traders and the best returns for liquidity providers with concentrated liquidity.

Kyber Network launched on Ethereum in February 2018 and is a pioneer in the DeFi space, developing one of the earliest decentralized exchanges (DEX) with Vitalik Buterin as an advisor. The team has continued to innovate; spearheading the launch of WBTC (Wrapped Bitcoin) - the most popular ERC20 version of Bitcoin today, as well as developing amplified liquidity pools on KyberSwap that offers capital efficiency for any token pair. Kyber Network is also part of the pioneer batch of Alliance DAO/DeFi Alliance mentors.

This proposal aims to list the new version of the Kyber Network Crystal (KNC) token for borrowing and lending and as a collateral asset on both Aave v2 and v3, after delisting the old KNCL token (previously on Aave).

Motivations

KyberSwap (Kyber Network's main swap interface) is one of the oldest and most popular DEX aggregators with close to 1M web visitors per month (June 2022). KyberSwap has already been deployed on 12 chains. Total trading volume has crossed $10B+ (combined legacy and new KyberSwap protocol) and current total value locked (TVL) is $63M+.

KNC is Kyber's utility and governance token, and is 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.com and other benefits from 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 value. With KNC supported on Aave, KNC holders can borrow funds for a wide variety of DeFi use cases, such as margin trading or for new investment opportunities, all without selling their current holdings.

Specifications

1. What is the link between the author of the AIP and the Asset?

shaneMkt is Head of Strategy for DAO & KNC at Kyber Network, managing Kyber's strategic efforts regarding the KyberDAO and KNC tokenomics for KNC holders.

Email: shane@kyber.network

Telegram: shaneHk

Twitter: https://twitter.com/shaneMkt

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

About Kyber Network

Kyber Network is a multi-chain crypto trading and liquidity hub that connects liquidity from different sources to enable token trading at the best rates through its main user interface KyberSwap.com. As a hybrid DEX aggregator + liquidity platform, it aims to offer the best rates for traders and the best returns for liquidity providers. Kyber's vision is to be the multi-chain liquidity hub for the decentralized economy, where any user or application can easily access the required tokens for their liquidity needs.

About KNC

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 proposals. Important proposals include improvements to KyberSwap, determining the various incentive mechanisms for liquidity providers, and capturing value created by new innovations. In return, KNC voters receive rewards from fees collected through trading on KyberSwap.com and other benefits from ecosystem collaborations. As more trades are executed and new protocols added, more rewards are generated.

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

KNC Migration in 2021

The old KNCL token was previously approved and added to Aave. In 2021, KNC was upgraded to add additional utility and upgradeability. The old KNC was renamed KNCL (Kyber Network Crystal Legacy) to differentiate it from the new KNC. Since 20 April, 2021, users can migrate their KNCL (ie. convert it) to new KNC through a simple procedure on Kyber.org.

Top exchanges are already supporting the latest version of KNC. KNC can be obtained on decentralized platforms such as KyberSwap.com as well as centralized exchanges such as Coinbase, Binance, FTX, Crypto.com, OKX, KuCoin, Kraken, Huobi, Gate.io, Bitfinex, Bittrex, Bithumb, Upbit, WazirX, and eToro.

- New KNC Announcement: https://twitter.com/kybernetwork/status/1384504675701952517 1

- Migration Guide: KNC Token Migration Guide

- Kyber Improvement Proposal that triggered the migration: KIPs/kip-6.md at master · KyberNetwork/KIPs · GitHub

- Example of an exchange migrating: https://support.kraken.com/hc/en-us/articles/4401758213268

- Etherscan: $1.85 | Kyber Network Crystal v2 (KNC) Token Tracker | Etherscan

There was also recent ARC proposal by Gauntlet to freeze KNCL (the old legacy token) to make way for the new KNC token on Aave.

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

Kyber Network is a well-known DeFi project and KNC one of the top tokens selected to be part of the DeFi Pulse Index. According to DeFi Pulse, for the top DeFi tokens that were selected, the "associated dApp and founding team must be widely considered legitimate."

- KNC governs one of the most popular DEX aggregators and liquidity protocols in DeFi which is deployed on 12 chains

- KNC is a highly liquid token but is still not on many decentralized lending platforms

- KNC price feeds are supported by Chainlink on Ethereum, Polygon, Avalanche, BNB Chain, Optimism and Arbitrum

[

image

913×653 33.4 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/3/36263c7ae76b22d64ec8b4cc183318e1e0e4e6c1.png)

- KNC is already a supported asset on the bridges for BNB Chain, Avalanche, Polygon, Arbitrum, and Optimism

- KNC has over 10,000 token holders, including crypto VCs and other DeFi projects

- If it is added to Aave, KNC holders would be able to lend KNC to earn interest instead of selling their tokens

- By supporting deposits of KNC as collateral, users can borrow stablecoins for other activities

- KNC holders can borrow KNC for staking and earning rewards, and support governance proposals

- Kyber team and KyberDAO treasury are considering depositing KNC to borrow stablecoins

- The old KNCL token had earlier passed Aave's due diligence and was supported as collateral on Aave

Benefits to the Aave Community

- New KNC is highly liquid but it is not on any major decentralized lending platform. Aave can be the first to support it.

- Kyber has a large community on our social media channels and can provide marketing support and resources to promote the launch of new KNC on Aave, thereby spreading more awareness about Aave.

- KNC has over 10,000 token holders, including VCs and other DeFi projects, and they would be able to have a direct use case for their tokens on Aave.

- Kyber is expanding to a wide variety of chains (already on 12 chains), which is aligned with and can support Aave's expansion efforts to other chains

- Kyber and Aave have a long history of collaboration and listing new KNC would be another positive step forward in our relationship.

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 Network was founded by Victor Tran, Loi Luu, and Yaron Velner in 2017; 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, Kyber Network has powered 100+ integrated projects and successfully facilitated over $10 billion in transactions and over a million trades for thousands of users. For example, our main product KyberSwap integrated with leading trading analytics platform DEXTools, enabling millions of users to access KyberSwap's token pairs at the best rates.

KyberSwap.com currently supports 12 chains including Ethereum, BNB Chain, Polygon, Avalanche, Fantom, Cronos, Arbitrum, Optimism, Velas, Aurora, Oasis and BitTorrent. Aggregated TVL from 67+ DEXes is over $40B, with 30,000+ pools and 26,000+ tokens.

Historical milestones

1. One of the earliest DEXes and it was developed with advice from Vitalik Buterin

2. Built Oyente, which was the first automated smart contract verification framework and one of the most used open-source auditing tools by security experts (e.g. Enzyme, Quantstamp)

3. One of the first to use DEX/liquidity pool aggregation on Ethereum by integrating different DEXes

4. Initiated and launched WBTC (Wrapped Bitcoin) - the most popular ERC20 version of Bitcoin

5. Developed practical decentralized cross-chain bridges between Ethereum and a non-EVM chain (Peace Relay for Bitcoin and Waterloo Bridge for EOS, which inspired the Rainbow bridge for NEAR)

6. First to work with professional market makers for on-chain market making on Ethereum

7. Helped advise and was part of the launch of DeFi Alliance and Asia DeFi Network

8. First to develop amplified pools with high capital efficiency for any token pair, not just stablecoins

9. One of the few hybrid DEX aggregators that not only have our own permissionless liquidity pools, but also sources liquidity from external sources to give the best rates to traders

Recent KyberSwap Features

1. DEX Aggregation Algorithm

KyberSwap's aggregation algorithm aggregates liquidity, automatically searching multiple DEXes to identify and select the optimal trade routes and best prices for users. KyberSwap makes trading more efficient and saves time and money for thousands of users. KyberSwap sources liquidity from over 60 different DEXs such as Uniswap, Sushi, Curve, QuickSwap, Pancakeswap, Traderjoe, Pangolin, SpookySwap, SpiritSwap, VVS Finance and many others to achieve the best rates for traders on supported chains.

1. Concentrated/Amplified Liquidity Pools

Elastic Pools: Liquidity providers (LPs) can deposit tokens into Elastic pools and earn compounding fees. Pools have customizable price ranges and features such as anti-sniping and concentrated liquidity

, mimicking higher levels of liquidity and achieving much better capital efficiency, volume, and returns. For example, with the same pool and trade size, stable token pairs with low variability in the price range (e.g. USDC/USDT) can be up to 1000x better compared to other platforms.

Classic Pools: LPs also have the flexibility to create or select amplified liquidity pools with an amplification factor that greatly improves capital efficiency and help reduce trade slippage.

As such, liquidity providers can achieve greater capital efficiency, rates, volume, and returns compared to other platforms. LPs earn more in an efficient manner.

Moreover, LPs earn trading fees that are automatically claimed when you withdraw your liquidity.

1. Trending Soon Analytics

KyberSwap users can view which tokens are 'Trending' and 'Trending Soon'. Tokens displayed under the Trending tab are based on current trending data gleaned from top data aggregators CoinGecko and Coinmarket.

Tokens displayed under Trending Soon are detected based on Kyber's special trend detection algorithm, using trading volume, price, market cap, and other on-chain data.

5. How is the asset currently used?

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](#) proposals. Important proposals include improvements to KyberSwap, determining the various incentive mechanisms for liquidity providers, and capturing value created by new innovations.

In return, KNC voters receive rewards from fees collected through trading on[KyberSwap.com](#) and other benefits from ecosystem collaborations. As more trades are executed and new protocols added, more rewards are generated. Over $10M worth of rewards have been distributed to KyberDAO voters over the years.

More information about KNC can be found here:[Kyber Network | Liquidity Hub for Crypto Trading and DeFi](#)

6. Emission schedule

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

~23M KNC is managed by KyberDAO as part of an ecosystem growth fund to facilitate trade and liquidity mining, and other growth activities.

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

7. Token & protocol permissions and upgradability

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 current KNC staking model.

KNC is dynamic and can be upgraded, minted, or burned by KyberDAO 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 projects with no direct affiliation to Kyber.

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)

- Circulating market cap (new KNC, 6 Sep 2022):[$172,168,486](#)

- Daily trading volume (new KNC, 6 Sep 2022):[$10,480,400](#)

- Etherscan: [$1.85 | Kyber Network Crystal v2 (KNC) Token Tracker | Etherscan](#)

- Markets: [Kyber Network Crystal Price in USD: KNC Live Price Chart & News | CoinGecko](#)

- Top exchanges are already supporting the latest version of KNC. KNC can be obtained on[KyberSwap.com](#) as well as centralized exchanges such as Coinbase, Binance, FTX, [Crypto.com](#), OKX, KuCoin, Kraken, Huobi,[Gate.io](#), Bitfinex, Bittrex, Bithumb, Upbit, WazirX, and eToro.

9. Social channels data (Size of communities, activity on Github)

Twitter: https://twitter.com/kybernetwork (224K followers)

Telegram: [Telegram: Contact @kybernetwork](#) (15K members)

Discord: [Kyber Network Official](#) (11.3K members)

Forum: https://gov.kyber.org/ (580 members)

Youtube: https://www.youtube.com/c/KyberNetwork (3.3K subscribers)

Facebook: [KyberSwap](#) (23K followers)

Reddit: https://www.reddit.com/r/kybernetwork/ (12.7K members)

Instagram: [KyberSwap (@kyberswap_official) • Instagram photos and videos](#) (39 followers)

Tiktok: [TikTok](#) (101 followers)

Other Resources

- KyberSwap website: https://kyberswap.com

- Kyber Network website: https://kyber.network/

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

- Kyber Github: [GitHub - KyberNetwork/smart-contracts at Katalyst](#)

- DAO contracts Github: [GitHub - KyberNetwork/dao_sc](#)

- Blog: https://blog.kyber.network/

10. Contracts date of deployments, number of transactions, number of holders for tokens

- Token deployment date: Apr-12-2021 09:04:54 AM +UTC [Ethereum Transaction Hash (Txhash) Details | Etherscan](#)

- Number of Transactions (6 Sep 2022): 828,549

Ethereum: [181,678](#)

BNB Chain: [217,029](#)

Polygon: [373,711](#)

Avalanche: [56,131](#)

- Number of KNC Holders (6 Sep 2022): 21,519

Ethereum: [11,095](#)

BNB Chain: [3,984](#)

Polygon: [5,844](#)

Avalanche: [596](#)

Risk Factors / Smart Contract Audits

- [KyberDAO and KNC audit by Hacken](#)

- [KyberSwap Classic audit by ChainSecurity](#)

- [KyberSwap Elastic audit by ChainSecurity](#)

- [Kyber Network Github](#)

Smart Contract considerations:

KyberSwap smart contracts have been audited by Chainalysis and KNC and KyberDAO contracts by Hacken. Kyber is a mature DeFi project that has been operational for 4+ years with a long runway ahead. The old legacy KNCL token was also previously approved and added by Aave.

Counter-party considerations:

Decentralization and transparency are the guiding principles behind KyberDAO and KNC. KyberDAO is sufficiently decentralized as the Kyber team alone does not have the power to implement major changes to the KNC token, the DAO itself, or 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).

A consensus from at least 5 members of the DAO Operator 5/9 multisig (comprising some external projects with no direct affiliation to Kyber) is required in order to even initiate a new proposal on KyberDAO.

Risk Matrix

6 Sep 2022

[

image

912×239 6.55 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/3/30353df60c51fd2c30fb6451edf9009049e663b6.png)

The Normalized Volatility is calculated by logarithmic percentage change taken from measurements taken on the KNC-USDT spot price every day.

- 1M: 0.030
- 3M: 0.049
- 6M: 0.073
- Average: 0.05