# KINETIC
LIQUIDITY IN MOTION

# LITEPAPER

# WHO:

Kinetic is an innovative platform designed to deliver a cutting-edge lending and borrowing solution on the Flare Network. Governed by a dedicated team of three core contributors, Kinetic strategically partners with Rome Blockchain Labs, leveraging their technical infrastructure for seamless 24/7 communication, security, and reliability. This collaboration capitalizes on the team's extensive knowledge from years of experience in the decentralized lending space.

Beyond its primary partnership, Kinetic aligns with various protocols and partners, including Flare Labs: FAssets, FTSO, State Connector and Layercake, Ledger Works, Watchpug, Enosys, and others, ensuring a secure and user-focused decentralized application (dApp).

# WHAT:

Kinetic operates as an overcollateralized algorithmic lending and borrowing platform, facilitating a peer-to-peer lending experience where users deposit assets into a supply pool. These assets serve as collateral for users seeking to take out loans, with interest rates dynamically determined by the supply and demand of each asset at any given block. Each asset will also have its own set of parameters, such as collateral factor, reserve factor, and borrow cap. As long as a user's loan remains in good standing, there is no predetermined time in which a user must pay back a loan. Kinetic offers a competitive staking program, Kii Stake, where the fee mechanism rewards users who have delegated and staked their tokens.

# WHY:

Built on the Flare Network, Kinetic aims to align with users interested in the advanced strategies and reliable decentralized data made possible by FTSO, LayerCake, and FAssets. The missing piece was to develop a protocol that would enable both individual users and institutions to take full advantage of these technologies while creating a liquidity hub on Flare from which DeFi expansion can flourish.

# HOW:

Lending on Kinetic operates through smart contracts built on the Flare blockchain. The platform allows users to lend and borrow digital assets in a secure, permissionless environment. The following is a simplified explanation of how lending works on Kinetic:

### Deposit Assets
Users start by depositing their digital assets into Kinetic's liquidity markets. These markets are a collection of funds that users lend out to others, and in return, lenders receive interest payments based on the assets they have supplied. The assets deposited can vary, beginning with tokens such as WFLR, EUSDT, and EETH, with new and expanded markets to come.

### Earn Interest
Once users deposit their assets into a liquidity market, they begin to earn interest paid by those borrowing the asset. The interest rate is determined by the supply and demand dynamics within the market. If there is a high demand for borrowing a specific asset, the interest rate paid for borrowing that asset will increase; inversely, if demand is low the interest will lower. This mechanism ensures that the return rates are continuously adjusted according to market conditions.

### Receive cTokens
Upon depositing assets, lenders receive cTokens, representing their share of the market and the interest on their deposit. These cTokens are representative tokens, which can be redeemed for the original assets, plus earned interest, at any time. The cTokens can also be transferred, offering additional flexibility to lenders.

### Security and Overcollateralization
Kinetic requires borrowers to overcollateralize their loans to ensure the safety of funds lent out. This means borrowers must deposit assets worth more than the amount they wish to borrow. This over-collateralization is a security measure to protect lenders against the volatility and rapid price fluctuations common in the cryptocurrency market. These markets are also protected by parameters such as our Jump Rate Model, Borrow Caps, and Reserve Factors.

- **Jump Rate Model**: An interest rate model that increases borrowing costs sharply once the utilization rate (ratio of borrowed to available funds) exceeds a certain level, discouraging excessive borrowing and ensuring liquidity.

- **Borrow Cap:** The maximum amount that can be borrowed from the protocol, either overall or per asset, to limit exposure and mitigate the risk of defaults or market manipulation.

- **Reserve Factor:** A portion of the interest paid by borrowers set aside in a reserve fund, not paid out to lenders, to cover potential losses and ensure the protocol's stability.

## Liquidation Mechanism

If the value of the collateral falls below a certain threshold, due to price fluctuations in the market, the protocol may automatically liquidate (sell off) the borrower's collateral to ensure lenders are repaid. This mechanism helps mitigate the risk of loss for lenders.

# WEN:

Kinetic believes in offering a fair chance for all users to participate and engage in the early stages of the Kinetic platform, and therefore will not be hosting a tokensale. In Q2 of 2024, Kinetic will launch the Joule Token on Probit.

Kinetic will launch Genesis Pools for Enosys' wrapped assets EUSDT and EETH in Q2 2024, offering substantial incentives to reward early adopters fueling the growth of an interconnected DeFi ecosystem. Alongside the release of genesis pools, Kinetic will be hosting the Testnet version of our protocol on Coston2, allowing users to view and test the protocol ahead of the full launch on Mainnet.

Kinetic will then launch with plans to introduce markets for traditional assets such as EETH, WFLR, and EUSDT. Following the deployment of Flare's FAssets, additional markets will be added for tokens like FBTC, FDOGE, and FXRP, followed by LayerCake's available bridged assets. As the access to markets on Flare undergoes continual expansion and development, Kinetic will grow and evolve in tandem.

# Tokenomics:

JOULE has a maximum supply of 1,500,000,000 tokens.

## Token Distribution

- **Protocol Development (20%):** To incentivize continued development on the Kinetic protocol and reward core contributors – *6-month cliff + 18-month linear vest*

- **Liquidity Incentives (30%):** To attract and incentivize protocol liquidity – *available over the first 5 years*

- **Token Launch and Exchange Liquidity (20%):** To support the initial launch and provide liquidity on both centralized and decentralized exchanges – *unlocked upfront*

- **Ecosystem Growth (30%):** To reward Kinetic partners and support the strategic growth of the protocol in the long term – *10% upfront, 3-year linear vest*

## JOULE vs Kii

JOULE is the native liquid token of the Kinetic protocol, available on Probit, and future CEXs and DEXs. Joule can be staked for Kii tokens, the non-transferable, incentivized version of the Joule token, which enables users to collect rebates on paid interest and participate in voting and future governance. Converting Kii back to JOULE requires a 90-day cooldown period, or it can be converted instantly at a 35% early conversion penalty, burning those tokens from the total supply. This mechanism incentivizes long-term holding and stabilizes the value of the token. During the 90-day cooldown period, Kii earns no rewards.

## No Token Sale

Kinetic will not be having a token sale, focusing instead on natural growth and genuine engagement across diverse ecosystems. This decision reflects Kinetic's dedication to sustainable development and our belief in the transformative potential of our platform. A pivotal moment for Kinetic and the communities will be the token launch on Probit, offering a fair chance of participation for all.

Kinetic has been designed in a way that holding the staked version of the token enables users to shape the future of the protocol. For this reason, Kinetic will not be hosting a token sale but rather aims to focus on natural growth and genuine engagement across the diverse ecosystems we aim to serve while offering a fair chance of participation for all.

# Kii Stake:



INSTANT CLAIM = 35% Burn*

*Diamond tier exempt from burn

**Kii**
THE STAKED VERSION OF JOULE

**JOULE**
NATIVE KINETIC TOKEN

90 DAYS

Kii stakers can earn rewards for voting in the strategic proposals brought forth every 45 days by the Core Team in alignment with future protocol changes. These rewards will be paid out if the user has either participated in voting in the last 45-day cycle or delegated to an address that has voted in the last 45 days. Addresses which users delegate to (if not themselves) will receive a percentage of their yield. This system incentivizes quality governance participation and further decentralization of the protocol. Rewards will be proportionately distributed based on an individual user's staked amount with the value increasing based on the amount of time that user has actively voted in the 45-day cycle. For example: if a user votes on day one they will accrue rewards for the entire 45-day cycle.

## Kii Staking Tiers
Users who hold certain thresholds of Kii can receive rebates on their fees paid in the protocol token Joule. The actual amounts in Kii for each tier will be in terms of Kii and will be updated by the team multisig as the price of Kii changes. Kinetic's rebate tiers will be associated with these approximate USD values:

**SILVER**
~$5 of Kii
*(25% discount)*

**GOLD**
~$500 of Kii
*(40% discount)*

**PINK**
~$15,000 of Kii
*(55% discount)*

**DIAMOND**
~$500,000 of Kii
*(75% discount)* *

* *Exempt from burn mechanism*

# Governance:

Kinetic is excited to introduce a groundbreaking off-chain governance model. This is designed to actively involve our community in shaping the future of the protocol. Kinetic's approach rewards participants for their valuable contributions to decision-making processes, fostering a more engaged and proactive community.
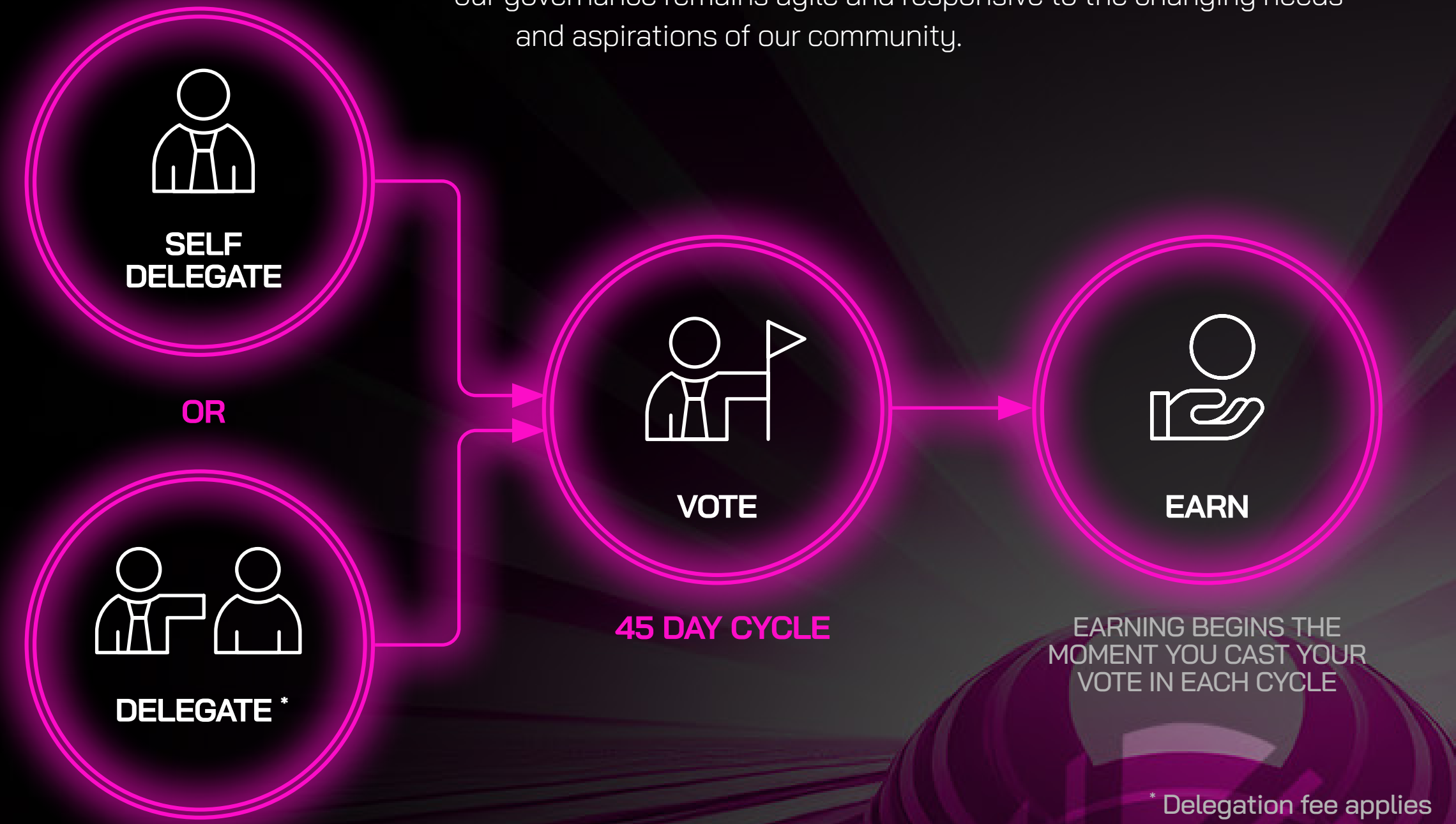
## Reward-Based Voting System
Kinetic's governance structure is unique in that it offers rewards to users who participate in voting. This system is built on the principle that those contributing their time and insight to guide the protocol's direction should be acknowledged and compensated for their efforts. By incentivizing participation, we aim to ensure that a wide range of voices and perspectives are heard, leading to more well-rounded and effective decision-making.

## Regular Voting Cycles
To maintain a robust governance process, Kinetic will conduct voting sessions every 45 days. This frequency is strategically chosen to balance the need for steady progress while giving ample time for our users to develop a deep understanding of the protocol. Regular voting ensures that our governance remains agile and responsive to the changing needs and aspirations of our community.

SELF DELEGATE

OR

DELEGATE *

VOTE
45 DAY CYCLE

EARN
EARNING BEGINS THE MOMENT YOU CAST YOUR VOTE IN EACH CYCLE

* Delegation fee applies

## Community Feedback and Transparency
Transparency and community input are cornerstones of the Kinetic governance model. During each voting period, there will be a dedicated section for users to record their comments and feedback. This open forum allows for a rich exchange of ideas and perspectives, ensuring that the community's voice is integral to our decision-making process.

To further enhance transparency and accountability, records of past votes will be openly accessible. This not only ensures that Kinetic's trajectory aligns with community preferences but also builds trust by showcasing our commitment to considering and acting upon user input.

## Core Team's Role and Decision-Making Authority

While Kinetic is deeply committed to community-led governance, the Core Team retains the authority to make final decisions and execute them according to their timeline. This is essential to maintain the health, security, and longevity of the protocol. The Core Team's decisions will always consider the well-being of Kinetic and its community, ensuring that the protocol continues to thrive and adapt in a rapidly evolving digital landscape.

This innovative governance model is a testament to Kinetic's commitment to community-centric development and decision-making. By rewarding participation, encouraging regular engagement, and ensuring transparency, Kinetic is showcasing a governance system that not only reflects the will of its users but also drives the protocol toward a prosperous and sustainable future.

# Flare Drops:

A unique aspect of the Flare ecosystem is the inclusion of Flare Drops for WFLR holders. Kinetic is working with multiple partners towards solutions where users can maintain their eligibility to collect these rewards. These solutions are set to roll out before the full protocol launch to ensure accessibility and inclusion of the Flare native asset.

# Key Partnerships

**Flare Labs** demonstrates its innovative approach through the development of **FAssets** to bridge blockchain ecosystems and enhance DeFi functionality. This system enables seamless interaction between non-smart contract tokens from various blockchains on the Flare network, providing users with increased flexibility and access to diverse assets. Flare Lab's expertise in developing protocols such as **FTSO** and **State Connector** further showcases their commitment to advancing decentralized web3 environments, making them a valuable partner for projects looking to expand their reach and capabilities within the blockchain space. For more information, please visit: **www.flare.network**.

**Ledger Works** offers integrated risk management services that combine cyber, operational, and financial risk control in real time. Kinetic's risk strategy relies on computational rules and deterministic and simulation models to continuously optimize protocol parameters. For additional details, please visit: **www.lworks.io**.

**Into The Block** offers an institutional-grade data analytics platform, providing real-time market insights, on-chain analytics, sentiment analysis, and token holder analysis. This partnership elevates the borrowing and lending experience for Kinetic users to an institutional level, arming them with sophisticated insights to optimize their returns and minimize risks. For further information, please visit: **app.intotheblock.com**.

**WatchPug** is a dedicated team focused on auditing smart contracts with precision. Their mission is to improve the security, privacy, and usability of the current DeFi ecosystem. By leveraging their expertise, WatchPug is helping to create a more secure and dependable environment for decentralized finance. For more information, visit their official website: **www.watchpug.org**.

**Rome Blockchain Labs** is a renowned private blockchain development company operating on a global scale. Specializing in the launch and management of DeFi and blockchain protocols, they have played a pivotal role in the development of leading platforms like BENQI, Moonwell, and the sAVAX Liquid Staking system. JD Gagnon, Co-Founder of RBL, is closely advising Kinetic on its launch and go-to-market strategy. For additional details, visit their website: **www.romeblockchain.com**.

# TL;DR

Launching in Q2 of 2024, Kinetic has developed a practical lending application that leverages Flare's technological advancements. Kinetic aims to bridge gaps, attract momentum from various assets and ecosystems, and enhance the DeFi landscape on the Flare Network. By utilizing FAssets, implementing the Flare Time Series Oracle, focusing on progressive governance, and prioritizing user experience and security, Kinetic is working to catalyze DeFi on Flare through lending.