Kava 8 Upgrade Signaling Proposal

Kava Labs

8/11/2021

Overview

This proposal is intended to signal acceptance/rejection of the plan that will upgrade from the current kava-7 blockchain to kava-8. As a `TextProposal`, this is a non-binding proposal and is meant to inform the Kava community about the new features we are proposing, the timing of the upgrade, and next steps. If this proposal passes, we will submit a follow-on `SoftwareUpgrade` proposal that specifies the exact block height at which the kava-7 chain will shutdown.

Key Dates

1. We propose that the final block of kava-7 occur on August 30th, 2021 at 13:00 UTC.
2. We propose that the genesis time of kava-8 occur on August 30th, 2021 at 15:00 UTC.

Note that these key dates assume that this signaling proposal has passed, and that all development and security milestones have been met. If either of those conditions are not met, we will submit a new proposal to replace this one.

Key Features in kava-8

Swap

Kava core developers have completed a new application, Swap, which is a constant-product automated market maker (AMM) that enables the trading of tokens between a user and a pool of liquidity. The specification of the module can be reviewed here. To date, the swap module has been tested as part of the Swap Incentivized Testnet, has undergone one internal audit, and is currently completing an external audit with CeritK. Once audit reports are completed, they will be published publicly. At this time, we believe the code has been sufficiently tested and reviewed and is ready for deployment.

Swap Parameters Swap uses governance to specify which pools are allowed to be created. At launch, we propose creating a pool for all available tokens on the Kava platform against USDX. The list of proposed pool (governance parameter `AllowedPools`) is as follows:

- bnb/udsx
- btcb/usdx
- busd/usdx
- hard/usdx
- swp/usdx
- ukava/usdx
- usdx/xrpb

Swap also specifies the `SwapFee` parameter, the fee applied to each trade with a pool, with fees accumulating to liquidity providers (LPs). We propose an initial fee of 0.15%.

SWP Token

As part of the Swap application, we introduce SWP, a governance token that is used to vote on parameter changes to the Swap application and changes to LP rewards for Swap pools. Further, token holder may vote on proposals that update or upgrade the functionality of the Swap application.

At genesis, there will be a maximum supply of 250,000,000 SWP tokens, distributed as follows:

Table 1: SWP Token Distribution

Ecosystem	Team	Treasury	Kava Stakers	LP Incentives
5%	15%	25%	10%	45%

The release schedule, including vesting, is as follows:

Table 2: SWP Token Release Schedule

Month	Ecosystem	Team	Treasury	Kava Stakers	LP Incentives
0	12,500,000		15,625,000	520,833	2,343,750
1				520,833	2,343,750
2				520,833	2,343,750
3			5,859,375	520,833	2,343,750
4				520,833	2,343,750
5				520,833	2,343,750
6			5,859,375	520,833	2,343,750
7				520,833	2,343,750
8				520,833	2,343,750
9			5,859,375	520,833	2,343,750
10				520,833	2,343,750
11				520,833	2,343,750
12		18,750,000	5,859,375	520,833	2,343,750
13				520,833	2,343,750
14				520,833	2,343,750
15		4,687,500	5,859,375	520,833	2,343,750
16				520,833	2,343,750
17				520,833	2,343,750
18		4,687,500	5,859,375	520,833	2,343,750
19				520,833	2,343,750
20				520,833	2,343,750
21		4,687,500	5,859,375	520,833	2,343,750
22				520,833	2,343,750
23				520,833	2,343,750
24		4,687,500	5,859,375	520,833	2,343,750
25				520,833	2,343,750
26				520,833	2,343,750
27				520,833	2,343,750
28				520,833	2,343,750
29				520,833	2,343,750
30				520,833	2,343,750
31				520,833	2,343,750
32				520,833	2,343,750
33				520,833	2,343,750
34				520,833	2,343,750
35				520,833	2,343,750
36				520,833	2,343,750
37				520,833	2,343,750
38				520,833	2,343,750
39				520,833	2,343,750
40				520,833	2,343,750
41				520,833	2,343,750
42				520,833	2,343,750
43				520,833	2,343,750
44				520,833	2,343,750
45				520,833	2,343,750
46				520,833	2,343,750
47				520,833	2,343,750
	12,500,000	**37,500,000**	**62,500,000**	**25,000,000**	**112,500,000**

Note that the exact distribution of LP incentives at launch will be the subject of a forthcoming Medium article, which will be used as a basis for gathering feedback from the community. After gathering feedback, we will publish a follow-on article that specifies the exact LP incentives at launch, as well as include those numbers in the `SoftwareUpgradeProposal`. Further, the distribution of LP incentives is controlled by SWP token holders, and so could be changed via governance once kava-8 launches.

SWP Airdrop

We propose a retroactive airdrop of 1,000,000 SWP tokens from the ecosystem pool to USDX suppliers to Hard protocol. The airdrop will be calculated using a snapshot of the kava-7 blockchain at block 1543671 (approximately 14:00 UTC on Aug 4th, 2021). Any account that was supplying USDX to HARD protocol at that block height will receive a ratable share of 1,000,000 SWP tokens when kava-8 launches. For example, if an account had supplied 0.5% of all USDX to Hard protocol, that account would receive 5,000 SWP tokens. The goal of this airdrop is to reward early adopters of applications on the Kava DeFi platform, and this rewards both USDX minters and HARD suppliers.

SWP and HARD Token Governance

Kava-8 introduces on-chain governance for the Swap and Hard applications. On-chain governance for Hard and Swap are controlled by the committee module, see the updated [spec] For each application, we are proposing a `TokenCommittee` that has the ability to changes the parameters and incentives of the Hard and Swap applications, respectively. Token committee governance is similar to the existing `MemberCommittee` governance of the Kava Stability Committee, but rather than being voted on by a m-of-n committee of members, proposals can be voted on by any address that holds SWP or HARD tokens, including tokens which are currently vesting. Note that proposals for token committees are still scoped to a white-listed set of addresses. We propose that the same members of the Kava Stability Committee be the members of the Hard and Swap Token Committees (see Kava Stability Committee Proposal)

The Hard Token Committee will have governance permissions over the following parameters:

Table 3: Hard Module Parameters Governed by Hard Token Committee

Parameter	Description
MoneyMarkets	Listed money markets and their associated params
MinimumBorrowUSDValue	Minimum amount an individual user can borrow

Table 4: Incentive Module Parameters Governed by Hard Token Committee

Parameter	Description
HardSupplyRewardPeriods	HARD incentives for suppliers
HardBorrowRewardPeriods	HARD incentives for borrowers
DelegatorRewardPeriods	HARD incentives for delegators

The Swap Token Committee will have governance permissions over the following parameters:

Table 5: Swap Module Parameters Governed By Swap Token Committee

Parameter	Description
AllowedPools	Listed liquidity pools and their associated params
SwapFee	Fee per trade

Table 6: Incentive Module Parameters Governed By Swap Token Committee

Parameter	Description
SwapRewardPeriods	SWP incentives for LPs
DelegatorRewardPeriods	SWP incentives for delegators

Testnet

In order for validators and network participants to test their deployments and any new functionality proposed for kava-8, kava-testnet-13000 is available. See full information about accessing the testnet here.

Software Upgrade Proposal

If this proposal passes and no critical issue are found that require a launch delay, Kava Labs will submit a `SoftwareUpgradeProposal` that specifies the exact block at which the kava-7 chain will shut down, the version of the software for kava-8, and the migration procedure. The block height specified will target approximately 13:00 UTC on August 30th, 2021.