Docs

Introduction

King Token

Whitepaper

Points Program

Liquidity

Distribution

King's APR

Partners

Deployment

Audits

Risks

Media Kit

FAQ

On this page

Whitepaper

King Protocol (formerly LRT Squared) is a unified restaking rewards protocol ran by a set of smart contracts deployed on Ethereum mainnet supporting the following core features:

1. **Restaking Network Protocol Tokens Aggregation and Easy Management**

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- It allows for the aggregation of rewards from different restaking network protocol into one token (King), simplifying the management and trading process for users.
- It addresses the inefficiencies associated with collecting multiple small and scattered rewards, which can be expensive and cumbersome.

2. **Share Token Issuance and Redemption**

   - LRT protocols can deposit restaking network protocol rewards into the contract, and in return, issues share tokens based on the value of the deposited tokens.
   - To prevent value dilution, the contract includes mechanisms to ensure the value of the vault (i.e., the aggregate of managed tokens) remains consistent before and after deposits, protecting against value shifts that could affect share token holders negatively.
   - Users can redeem their share tokens for the underlying assets proportionally.

3. On-Chain Vault Value Evaluation

   - It pulls the price of its underlying assets from the Price Oracle contracts to calculate the value of both incoming rewards (deposits) and the underlying assets.

4. Towards On-chain Governance

   - Start with multi-sig owned by the ecosystem, foundation.
   - Will decentralize it so that the decisions are driven by its on-chain governance token.
   - The governance make decisions such as (1) Which restaking network protocols can be deposited, (2) Which LRTs can deposit AVSs rewards and mint share token.

5. Future Extensions

   - We are exploring various ways to add values to King Protocol. One extension would be enable staking/restaking of the vault assets to increase the returns.

Protocol Overview


Figure 5: Protocol Overview.

1. **[Restaking Network Protocols Rewards Distribution]** the AVSs distribute the restaking rewards to the LRTs.

2. **[Deposit Restaking Network Protocols Rewards and Mint KING]** the LRTs deposit the restaking rewards into the King Protocol vault. At the same time, it mints the King token of the equivalent value to a Distributor such as a merkle distributor. The Distributor is responsible for managing the distribution of **King** tokens to the LRTs stakers. Each LRT will manage their own distributor.

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3. **[Distribution of KING]** the LRTs stakers claim their **King** tokens from the corresponding distributors. Then can trade/hold/transfer the vault token instead of dealing with the multiple restaking network protocols tokens individually.

4. **[Price Discovery]** Arbitrageurs monitor the price of the vault token and its underlying assets on the DEXs. The arbitrageurs redeem the underlying assets from the **King** tokens when there is an opportunity to profit from price differences, which drives the price discovery of **King** token.

Valuation of Vault and Rewards Tokens

King Protocol is a vault which holds the AVS tokens as underlying assets. The total value of the **King Protocol** vault is the aggregate sum of the values of all its underlying token assets. The token price is provided by the price oracle.

$$vaultValue = \sum (balanceOfToken_i \times priceOfToken_i)$$

The King token is a tokenized vault ERC20 token with its fair value:

$$price = \frac{totalSupply}{vaultValue}$$

Price Feed Oracle

The governance must register the price feed oracle for each token. The provided price data play the crucial roles in Valuation of Vault and Rewards Tokens, Deposit, Redemption, and Rebalance.

The Oracle must make sure that there is no price manipulation that can negatively affect the vault.

Deposit

The whitelisted LRT protocols can deposit their received AVS rewards into the King Protocol vault, and in return, issues the shares of King token based on the value of the deposited tokens and vault.

To prevent value dilution, King Protocol is equipped with several security guards.

1. It ensures that the value of the vault (i.e., the aggregate of managed tokens) remains the same before and after deposits, protecting against value shifts that could affect share token holders negatively:

$$sharesToMint = rewardsValue \times \frac{totalSupply}{vaultValue}$$

2. It puts the rate limits on the amount of new deposits and minted vault tokens over a certain time window. The rate limit parameters is controlled by the **King Protocol** governance.

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3. It uses the price oracle registered by the **King Protocol** governance for pricing the tokens being deposited and the tokens within the vault fairly and securely.

Distribution of the minted shares is managed by each LRT protocol.

Redemption

King Protocol vault token holders can redeem their share tokens for the entire underlying assets proportionally without any permission.

Rebalance

The vault need to maintain its desired asset distribution both for risk management and for returns optimization. By rebalancing the vault's holdings, the vault ensures that no single asset becomes too dominant, helping manage the vault's exposure to different tokens. Only the permissioned entities ("Rebalancer") can rebalance the vault by swapping tokens within the vault. Here, the target tokens for the swap are chosen to be less volatile tokens with bigger caps such as ETH.

Governance

Governance controls the token registration/whitelisting and rebalancing parameters and who can run it. Initially, the governance will be on the multi-sig wallet owned by the ecosystem partners. Then, we will gradually move to the on-chain governance as the protocol evolves.

Pager
Previous pageKing Token
Next pagePoints Program

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