

# [ARFC] Introducing “Frontier” - Staking as a Service for the Aave DAO

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## Summary

The Aave Chan Initiative (ACI) introduces “Frontier,” a ‘Staking as a Service’ product for the Aave DAO. This service aims to further decentralize the protocol’s staking exposure and actively participate in network security. ACI will operate staking nodes and run validator nodes on behalf of the DAO, enhancing the DAO’s passive income and promoting a diversified staking strategy.

## Motivation

Transitioning from simply acquiring Liquid Staking Tokens (LSTs) like stETH and rETH to actively running validator nodes, “Frontier” represents a significant step towards greater involvement in Ethereum’s network decentralization and security.

For this trial experiment, we propose to run 32 Stader minipools of 4 ETH.

This proactive approach will allow the Aave DAO to host community members in our minipools, providing them with staking exposure through ETHx.

## Specification

To initiate “Frontier,” we propose the creation of a 2/3 multisig controlled by:

- Aci.eth
- Tokenlogic
- Karpatkey

This multisig will be funded with 128 wETH, enabling ACI to set up 32 validator minipools on behalf of the Aave DAO.

Benefits:

- Enhanced diversity

: The Aave DAO has been a pioneer in LST diversity, staking as a service can allow the DAO to increase this diversity with new ecosystems and assets that are not necessary onboarded on main pools yet.

- Increased alignment

: Most DAO in our ecosystem to generate a passive income on their ETH holdings acquire stETH and call it a day. The Aave DAO was the first to actually push for diversity by adding exposure to rETH.

This ARFC proposes to take our ETH-alignment a step further by being the first ever DAO actually to run nodes. by operating minipools, the DAO reinforce its synergies with other protocols such as stader, and directly increases these LST alternative market shares by allowing passive investors to acquire ETHx (1 wETH stake by the DAO allows for 3 ETH to be “staked” via ETHx)

The Aave DAO always pioneered and led, and we hope to inspire in the ecosystem; this is why this new service is named “Frontier.” (also as a reference to Ethereum’s early days).

Guarantees and Risk Mitigation:

- Yield Guarantee:

ACI will ensure a consistent yield, equivalent to the 'regular' ETHx returns, regardless of the actual performance of the nodes. mitigating Aave DAO performance risk.

From experience, while Yield is consistent over infinite timeframes and/or deposits, DAOs and humans have the bad habit of not having infinite time and money.

"Solo staking" or "minipool staking" are needed for decentralization, but when placed on the wrong side of variance, it can lead to underwhelming returns. As Frontier grows overtime this effect will be smoothen out, until then, ACI is confident in managing financial risk, even when luck isn't on our side. We are aligned and focused on long-term outcomes.

- Slashing Protection:

ACI commits to covering any potential losses due to slashing, safeguarding the Aave DAO's wETH funds.

- Stader SD Token Provision:

In partnership with Stader, ACI will obtain the necessary SD tokens, enabling the DAO to engage in staking without direct exposure to the SD asset.

This will remove all need for directional exposure to the SD token for the Aave DAO. The ACI will use related rewards to participate in Stader governance aligned with its "meta-governance" mission.

## Next Steps

1. Open a discussion within the Aave community to assess "Frontier's" feasibility and gather feedback.
2. Escalate proposal to Snapshot Stage
3. If Snapshot Stage outcome is YAE, to mitigate governance burden, and reduce the amount of governance AIP, Aave Finance will be requested to include the staking multisig funding in their next treasury management AIP.
4. Implement "Frontier" by setting up the validator minipools

## Disclosure

The ACI, independently initiates "Frontier" without external compensation.

If Frontier is approved, The ACI will receive the necessary SD tokens to operate Pools from Stader.

The ACI already operates Ethereum validators, Rocketpool, & stader Minipools privately.

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