

Why GHO?

Stablecoins play an important role in the DeFi ecosystem, offering a fast, efficient, and borderless way to transfer stable value. With many alternatives already in circulation, why develop a stablecoin?

Market Demand

Based on the current state of the market, there is still limited adoption of decentralized stablecoins and room for growth.

The Aave Protocol Is Well Positioned

The Aave Protocol already has the infrastructure to support many of the features needed to implement a stablecoin and will be the first Facilitator (see below) that can trustlessly mint and burn GHO tokens. At launch, if the community approves, there will be two [Facilitators](#) for GHO (the [Aave Protocol](#) and [FlashMinter](#)); however, a framework with guidance on how to apply to the AaveDAO to become a Facilitator is open to community discussion on the [Aave Governance](#) forum.

Differentiating Factors

Significant demand exists for a stablecoin that is decentralized, over-collateralized, and configurable.

GHO, a stablecoin native to the Aave Protocol and controlled by Aave Governance, has the potential to make stablecoin borrowing on the Aave Protocol more competitive, provide more optionality for stablecoin users, and generate additional revenue for the Aave DAO by sending 100% of the interest payments accrued by minters of GHO directly to the [Aave DAO treasury](#).

The Aave Protocol possesses key functionalities that are required to facilitate a decentralized stablecoin, such as supplying collateral and liquidations. As a result, if approved by the Aave community, the Aave Protocol will serve as one of the initial Facilitators for trustlessly minting and burning GHO tokens. As these functionalities already exist in the current Aave Protocol, GHO will fit natively into the existing Aave V3 Ethereum Pool as a new asset without requiring significant additional resources.

Below are factors that differentiate GHO from stablecoins available:

Decentralized Stablecoins

Despite demand, there is a lack of decentralized stablecoins in the current DeFi landscape.

Decentralized Stablecoins Centralized Stablecoins Enables a new level of transparency and censorship resistance, which reinforces the ethos of privacy and decentralization. Require users to trust the issuer of the stablecoin. Centralized stablecoins can be blacklisted at any time and their backing may be opaque. Decentralized stablecoins, like GHO, provide censorship resistance, and most importantly, transparency for users.

GHO is decentralized and intentionally does not have one single concentrated point of control. GHO will be controlled by Aave Governance and the Aave Protocol's community. With Aave Governance making all decisions relating to GHO, there is increased transparency with this asset in comparison to other stablecoins in the market. In addition, all [GHO code](#) is open source and has been [audited](#) extensively by security firms prior to launch. All protocol upgrades and updates to interest rates/risk parameters will be public and must be agreed upon in advance by Aave Governance prior to execution.

Interest and Discount Rate Model

Discounts are available to borrowers staking AAVE in the Safety Module.

Please see the [Interest and Discount Rate Models](#) page for more information.

Multi-Collateral Positions

Traditionally in the DeFi ecosystem, users mint decentralized stablecoins via single asset-backed vaults. GHO is multi-collateralized, which means that users can mint GHO based on their entire set of supplied collateral assets across the Aave Protocol. As a result, GHO will be backed by various types of assets.

While there are key differences with respect to the implementation of GHO (please see the [How GHO Works](#) page for a more detailed explanation), the process of interacting with the Aave Protocol and borrowing GHO is similar to that of other assets (i.e., a user will supply assets into the Aave Protocol and enable them to be used as collateral, and these assets can then be used to mint GHO, opening a multi-collateral backed borrowing position).

Using multiple different assets within the same borrowing position creates more flexibility for a user and allows for greater control over exposure to price fluctuations. This flexibility is beneficial for users in cases where they want to increase their health factor. Having multi-collateral positions means that a user would not have to balance multiple positions and health

factors and would not have to swap between assets to fund a position.

Interest-Earning Collateral

When a user supplies collateral to the Aave Protocol, other users will borrow the supplied assets. Interest will be earned on the supplied collateral, which effectively reduces the interest that a user is paying on their borrowed positions.

Therefore, the collateral used to mint GHO will actively earn interest.

Trustless Minting

Trust is an essential component of a stablecoin. GHO introduces the concept of Facilitators. A Facilitator (e.g., a protocol or an entity) can trustlessly mint and burn GHO tokens.

Facilitators must be approved by the Aave DAO and can apply different strategies to their generation of GHO.

Please see the [Facilitators](#) page for more information.

The Future of GHO

Stablecoins are tied to the wider adoption of the crypto ecosystem by making stablecoins the currency of web3.

Aave Roadmap

Synergies with the Aave Protocol ecosystem, future products, and deployments make GHO critical for the Aave Protocol's future roadmap.

L2s

There is a large opportunity for GHO to have widespread usage on L2s given their lower fees. This could be enabled through bridging, or additional minting.

Additional Facilitators

If approved by the community, the Aave V3 Ethereum Pool and FlashMinter will be the first two Facilitators enabled to mint GHO. In the future, Aave Governance may vote to add additional Facilitators. Once a new Facilitator is approved, it will have the ability to mint GHO.

DeFi Ecosystem

The usage of stablecoins is likely to grow as more people are onboarded into crypto and the number of blockchain transactions increases.

How does developing GHO benefit users?

Based on how GHO is designed, it will provide more utility to Aave Protocol users and the Aave DAO.

Aave Governance makes all decisions pertaining to GHO. This provides transparency and allows the community to manage GHO, Facilitators, and interest rates.

Users of the Aave Protocol can borrow GHO, based on the collateral supplied to the protocol. This means users have access to a decentralized multi-collateral backed stablecoin, with competitive interest rates, whilst earning interest on their collateral supplied.

Users who participate in staking their AAVE tokens in the Safety Module will benefit by having access to a discount on the borrow rate of GHO. Therefore, holders of AAVE are incentivized to stake it, while helping to secure the Aave Protocol as AAVE flows into the protocol's Safety Module. [Edit this page](#) [Previous](#) [What Is GHO?](#) [Next](#) [How GHO Works](#) * [Market Demand](#) * [The Aave Protocol Is Well Positioned](#) * [Differentiating Factors](#) * * [Decentralized Stablecoins](#) * * [Interest and Discount Rate Model](#) * * [Multi-Collateral Positions](#) * * [Interest-Earning Collateral](#) * * [Trustless Minting](#) * [The Future of GHO](#) * * [Aave Roadmap](#) * * [L2s](#) * * [Additional Facilitators](#) * * [DeFi Ecosystem](#) * [How does developing GHO benefit users?](#)