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Summary

This proposal outlines the process of integrating ATOM as a collateral asset on AAVE. The inclusion of Atom, will potential capture substantial market size and active communities, to attract more liquidity to AAVE. This strategic addition aims to expand AAVE's user base, promote cross-chain interactions.

Motivation

- Attract more liquidity to AAVE's ecosystem.
- Foster a broader user base by appealing to the Cosmos communities.
- Drive cross-chain DeFi innovation.
- Leverage the substantial market capitalization of ATOM.

Background

Cosmos is a significant blockchain network designed to enhance interoperability and scalability across the blockchain landscape. However, they've seen limited DeFi activity compared to Ethereum for several factors. Mainly that these ecosystems have been siloed with limited liquidity coming from established assets.

Specifications

Atom Stats

Market Cap: $4.4B

Weekly Volume $1.24B

Weekly txs 500k

WAU 40k

Strategy

We have our IBC bridge that will allow for these assets to become ERC20 tokens in the most secure and trust minimized manner. We are connected with the main hubs from Polkadot and Cosmos and will be advocating to get cross chain community support. Initially we plan on getting support from market makers and community pools to inject the initial liquidity.

Disclaimer

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The migration of adding ATOM into AAVE as an ERC20 will be facilitated through IBC and Composable Finance. More information on IBC and Composable Finance below.

Detailed IBC Overview

The Inter-Blockchain Communication Protocol (IBC) is a protocol designed to facilitate the authentication and transportation of data between two blockchains. It operates with a minimal set of functions defined in the Interchain Standards (ICS). Importantly, IBC does not limit the network topology or consensus algorithm of the blockchains it connects, making it versatile and adaptable for use with a wide range of blockchains and state machines. The following features highlight key benefits to utilizing IBC:

i) Permissionless and Secure: IBC offers a permissionless way to relay data packets between blockchains, unlike most trusted bridging technologies. The security of IBC relies on the security of the participating chains.

ii) Modularity and Composability: IBC separates the transport layer (TAO) responsible for secure connections and data authentication from the application layer, which defines how data packets are packaged and interpreted. This modularity enables composability and the ability to design applications on top of IBC.

iii) Light Clients and Relayers: IBC relies on light clients and relayers to ensure the validity of cross-chain transactions. Relayers are responsible for scanning the state of participating chains, constructing datagrams, and executing them on the receiving chain. Light clients efficiently verify the relevant state of the counterparty blockchain.

iv) Security: IBC's security is based on trusting the consensus of the connected chains. It also implements fault isolation

mechanisms to limit damage in case of malicious behavior.

About Composable

Composable was the first company to connect a non Cosmos chain through IBC. This was through a custom mechanism to connect Polkadot and Cosmos. Our goal is to bring IBC everywhere, hence connecting to all chains. Connecting to Ethereum will be a major push in the terms of secure interoperability as we are moving away from centralized solutions and empowering users.

Conclusion

This proposal aims to integrate ATOM into AAVE to enhance liquidity and user engagement. Utilizing the IBC protocol, spearheaded by Composable's expertise in secure cross-chain connections, it seeks to bridge the interoperability divide between Ethereum, Cosmos, and Polkadot. The outlined strategy, backed by community and market maker support, sets forth a pragmatic pathway towards growing AAVE's position in the cross-chain DeFi landscape.

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