

Layer 2 Solutions

Regarding gas fees I'm not sure there will ever be a simple solution that the AAVE protocol itself can offer in a reasonable way on the mainnet. There are tons of layer 2 solutions in place that aave could utilize as additional means of accessing the network. Having used Matic/Polygon which has some great ways to use aTokens in general it only makes sense to me that people should be able to deposit funds directly through the Polygon network. Although I don't possess the skills needed to do this it seems only logical for users to have an option to move their assets from Polygon to the AAVE protocol without needing to pay fees. Would love to hear input from the community on possible L2 solutions.

Edit:

Some additional ideas I can't get out of my head and will be posting below. Full disclosure currently I am solely using Polygon for management of my funds. Just wanted to let people know in order to clear up any possible biases. In addition I am by no means wealthy which could be why I have a major issue with the gas fees.

Governance & Staking

Some time early this year when I first did my research on AAVE I decided to stake my AAVE in order to participate in governance and the rewards incentive. Was simple and easy I knew the risks involved and was okay with it. Looking at it now at the end of February it seems significantly less appealing. In order to stake I will have to pay a significant fee AND put my funds at risk of being slashed. I have no issues with the risk of slashing or the current APY being provided, but I don't think there is any reason we should be putting up with these gas fees. Through activating the unstake cooldown, claiming rewards, and voting these gas fees make the entire process incredibly inefficient. If we move the staking process and governance process over to a layer 2 solution like polygon/matic stakers could pay the one time gas fee to move their stkAAVE through the POS bridge and be able to handle all of the previously mentioned actions for 1/1000th of the cost of the current system. This alone should be incentive enough to seriously consider layer 2 solutions.

Trading

Currently on the Polygon/matic network I am offered opportunities that I would never be able to take advantage of on the Ethereum Mainnet. Through the matic bridge some geniuses ported over the AAVE interest bearing tokens which I believe is one of the most incredible features AAVE offers. Unfortunately I don't think my writing skills will be enough to truly explain how great this feature is. Instead of trading eth to standard dai for example, I am able to trade directly to aDai for a few cents instead of spending \$30+ on a deposit to the layer 1 aave solution.

From my experience this changes the game when it comes to how I use stablecoins. Why would anyone want dai when they can use interest bearing dai to make trades? Stablecoins play a massive role in the AAVE ecosystem. From my understanding our borrowing market is primarily made up of stable coin borrows. By increasing access to aDai or aUSDC on other networks we can provide more competitive borrowing rates to everyone.

Lend

These layer 2 solutions are currently developing ecosystems. On just about every one of these you will find a fork of an existing eth protocol that can provide service for much cheaper. Although I have am incredibly skeptical of the longevity of these projects and there is a clear lack of innovation in these solutions they are competition for AAVE whether you want to acknowledge it or not. With the ability to get aTokens on layer 2 networks it indirectly provides a method of depositing onto the AAVE network yet there is no ability to interact with the borrowing portion of the protocol. To me this is nothing but an untapped market that AAVE can easily gain access to by supporting additional networks interfacing directly with the protocol. If AAVE were to add borrowing to networks like xDai, Polygon/matic, Bsc, or any layer 2 solution it would allow for users to directly interface with aave rather than relying on other parties to provide them a way to gain exposure to additional assets.

TLDR;

Aave doesn't need to move to layer 2. It should however acknowledge the potential growth and benefits these developing ecosystems provide. There is no real downside to opening access to AAVE services on these platforms aside from the initial cost of development and deployment. The ease of access it provides gives first time users a much easier experience. The cost of exploring DeFi on the Ethereum mainnet is incredibly expensive not to mention incredibly punishing if a user is trying to use the services.