

aip: TBA

title: ARC - Enable Borrowing of DPI on Aave Markets

status: WIP

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## Simple Summary

Enable DPI to be borrowed on Aave markets.

## Abstract

Enable DPI to be borrowed on Aave markets.

In response to the Cream attack, [AIP-44](#) was implemented disabling DPI along with xSUSHI borrowing as a precautionary safety measure whilst further analysis was performed.

Shortly after enacting AIP-44, DPI was found to be safe. Do note, DPI was not vulnerable to the same potential abuse as xSUSHI was and disabling borrowing was an initial reaction to ensure safety of user's funds.

This proposal is to reinstate DPI as an asset that can be borrowed on the Aave markets.

## Motivation

At the time when [AIP-44](#) was proposed, Index Coop knew that this attack was never possible for DPI. Index Coop fully supported temporarily suspending the borrowing market out of an abundance of caution.

xSUSHI is vulnerable because SUSHI can be donated to the xSUSHI contract to inflate its value. It is the ability for SUSHI to inflate the xSUSHI value that made the Cream exploit possible. For DPI, this same attack is not possible. This is because Index Coop has its own internal accounting system, which prevents the underlying components from being sent to the contract to inflate its price. The DPI Chainlink oracle uses this internal accounting system to calculate the value of DPI (sum of all parts), ensuring that the DPI price cannot be manipulated in any way.

For those that are interested the details attaining to the xSUSHI incident on CREAM can be found [here](#) and [here](#).

With a deep understanding of the Cream exploit now widely understood within the broader ecosystem, Index Coop believes it is time to enable borrowing of DPI on the Aave V2 market.

## Specification

The recommendation is to enable borrowing and although there are a number of extrinsic use cases for DPI emerging, starting with a utilisation rate of 45%. For Variable Interest Rate parameters, a Base of 0, Slope 1 of 7% and Slope 2 of 300% was selected which is similar to the constituents within DPI. At this point in time, there is no ask for Stable Interest Rate borrowing.

The details outlining the original specification for listing DPI can be found here, [AIP-31](#). For any additional information see Index Coop's website: <https://www.indexcoop.com/dpi>.

## Implementation

We recommend keeping the Collateral Risk Parameters as is and enabling Borrowing of DPI with the following Borrow Interest Rate Parameters.

Risk Parameters:

LTV 65%

Liquidation Threshold 70%

Liquidation Bonus 8.5%

Reserve Factor 20%

Variable Interest Rate Parameters:

UOptimal 45%

R\_0 0%

R\_s1 7%

R\_s2 300%

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