Proposal edited to include Risk Providers feedback

2025/01/02 proposal edited to reflect a 2 part implementation waiting for osGNO review

[ARFC] Aave v3 Gnosis Instance Updates

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Summary

This ARFC proposes several updates to the Aave v3 Gnosis instance to improve capital efficiency and add new use cases on the network. The key changes include removing GNO from isolation mode, adjusting the reserve factor for EURe, onboarding osGNO, making sDAI borrowable, and creating new relevant E-modes.

Motivation

GNO has demonstrated strong stability and market presence on Gnosis Chain, making isolation mode unnecessarily restrictive and hindering network growth. Removing GNO from isolation mode will facilitate further expansion of the network.

The reduction in the EURe reserve factor aligns with the asset's performance and incentivizes increased lending activity.

The introduction of osGNO adds utility for GNO holders within the protocol and enables looping strategies using osGNO as collateral to borrow GNO. Leveraged staking use cases have been a key growth driver for Aave DAO, and enabling this on Gnosis Chain is expected to gain similar traction.

Making sDAI borrowable and introducing new E-modes will enhance capital efficiency and foster synergies between stable assets. The unique combination of EUR and USD borrowing opportunities is a distinct advantage for Gnosis Chain.

sDAI, as an asset with intrinsic yield, primarily serves as collateral. It is unsuitable to apply an interest rate curve for sDAI similar to other stablecoins on Aave.

Therefore, we propose a "flat" interest rate curve with a base rate of 1%, a slope1 of 1.5%, and a slope2 of 30%. The optimal utilization ratio should be set at 90%, with a reserve factor (RF) of 80%.

These parameters will not significantly contribute to sDAI's yield. However, as sDAI is inherently a yield-generating collateral, its primary use case is to serve as collateral for borrowing other assets.

Specification

The proposal includes the following changes:

Specification

- Remove GNO from Isolation mode

Lower Reserve Factor for EURe

Asset

Chain

Current Reserve Factor

Rec. Reserve Factor

EURe

Gnosis

20%

10%

Create sDAI/EURe E-mode

Parameter

Parameter	Value (sDAI)	Value (EURe)
Asset	sDAI	EURe
Collateral	Yes	No
Borrowable	No	Yes
Max LTV	85%	85%
Liquidation Threshold	87.5%	87.5%
Liquidation Bonus	5%	5%

this will be implemented in a second AIP

Parameter	Value
Asset	osGNO
Isolation Mode	N/A
Borrowable	No
Collateral Enabled	Yes
Supply Cap	4,750
Borrow Cap	-
Debt Ceiling	-

LTV

0.05%

LT

0.10%

Liquidation Bonus

7.5%

Liquidation Protocol Fee

10%

Variable Base

-

Variable Slope1

-

Variable Slope2

-

Uoptimal

-

Reserve Factor

-

Stable Borrowing

Disabled

Flashloanable

Yes

Siloed Borrowing

No

Borrowable in Isolation

No

Parameter	Value	Value
Asset	osGNO	GNO
Collateral	Yes	No
Borrowable	No	

Yes

Max LTV

90%

-

Liquidation Threshold

92.5%

-

Liquidation Bonus

2.50%

-

Onboard osGNO and create osGNO/GNO E-mode

- List osGNO as a new non-borrowable asset
- Create dedicated E-mode category for GNO-correlated assets
- Proposed E-mode LTV: 90%
- Proposed E-mode Liquidation Threshold: 92.5%
- Proposed E-mode Liquidation Penalty: 2.5%

Implementation

These changes will be implemented through a payload executing the following actions:

AIP part One:

- Configuration updates for GNO isolation mode
- Reserve factor adjustment for EURe

AIP PArt Two:

- Asset listing for osGNO
- E-mode configuration for both new categories

Next Steps

1. Publication of a standard ARFC, collect community & service providers feedback before escalating proposal to ARFC snapshot stage.
2. If the ARFC snapshot outcome is YAE, publish the necessary AIPs for final confirmation and enforcement of the proposal.

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