

Motivation: At the time of writing, AMPL has been in a liquidity crisis for about 2 weeks. Depositors cannot withdraw their AMPL, and no AMPL is available to borrow during the liquidity crunch. This points to a major failure in the lending market. Interest rates need to be raised for borrowers to be properly incentivized to return liquidity for some portion of the day. This means that daily borrow interest must exceed the gains obtained from rebasing.

Proposal: I am proposing to the AAVE governance community to drastically increase interest rates to incentivize borrowers to return liquidity to the protocol during periods of high rebase. Assuming that we want to protect liquidity during a positive rebase for 18 hours after a rebase, the proper max interest rate would be 20% per day, or 7300% APR. (Not going to express this in APY)

For more discussion on this topic, see [here](#).

By the way, all my meager PP is locked in a smart contract wallet so I won't be able to carry this proposal further unfortunately.