

Title: [TEMP CHECK] Deploy Aave V3 on Mode

Author: ACI (Aave Chan Initiative)

Date: 2024-05-23

Summary

Mode is a state-of-the-art, modular L2 blockchain that builds on the Ethereum network via deployment on the OP Superchain.

Deploying Aave on Mode involves setting up a new instance of the Aave protocol on the Mode L2 blockchain, which is positioned to be the DeFi hub of the OP Superchain. This proposal aims to leverage Mode's modular infrastructure tailored for DeFi applications, offering potential enhancements in scalability and interoperability within the ecosystem.

Motivation/Background

Mode intends to be the DeFi hub of the Superchain, offering a best-in-class yield experience by attracting cutting edge and innovative DeFi protocols to weave into and build atop of a solid foundation of trusted blue chip favorites, Velodrome, Balancer en route, and (hopefully soon-to-be) Aave.

Mode stands apart in its approach to DeFi and liquidity architecture by working closely with stalwart protocols and teams to push integrations and intra-chain operability. By keeping an extremely active presence in the telegram channels and engaging in transformative open dialogue, Mode harnesses the collective wisdom of its builders to design an L2 every DeFi user would be proud to call home. Mode currently has baked-in incentives to help bootstrap early protocols via an ongoing metric based DevDrop which is redistributed to users, as well as Sequencer Fee Sharing, which passes a portion of fees back to the protocols.

Since its Mainnet inception in early 2024, Mode has attracted significant TVL from the BTC L2 ecosystems as well as popular LRTs in the Ethereum AVS sector. Mode has risen into the Top 15 by TVL on DefiLlama, with a current USDC stablecoin dominance. The next priority is supporting more yield bearing assets, both volatile and stable, to enable automated vault strategies, yield markets, and more powerful index synthetics.

1. Benefits of deploying to Mode:

Scalability

:

- Utilizes Mode's L2 solutions to reduce gas fees and transaction times, enhancing user experience and adoption.
- Mode has been recognized for having some of the most affordable transaction rates among Layer 2 solutions, which can significantly attract more users to Aave.

Security

:

- Features a robust multisig management system with oversight from the Mode Security Council, the Optimism Security Council, and the Optimism Foundation.
- This setup prevents unilateral control over significant changes, providing a secure and stable environment for financial operations.
- Includes rapid incident response capabilities through a partnership with Optimism, enabling quick technical interventions and smart contract upgrades to maintain system integrity.

Interoperability

:

- Boasts EVM compatibility and is equipped with LayerZero OFT technology (with upcoming CCIP enablement), facilitating seamless integrations and interactions within the Ethereum ecosystem and extending to Bitcoin L2s (like Merlin chain).

Strategic Significance

:

- Aligns with Mode's modular infrastructure which is optimized for scalability and interoperability, enhancing the overall functionality and reach of Aave.
- Supports Mode's strategic goals to become the DeFi hub of the Superchain, leveraging its ecosystem to foster significant growth and innovation for both Aave and Mode.
- Compelling access to BTC synthetics, leveraging Mode's maturing relationship with Bitcoin Layer 2s.
- Deploying one of the fastest growing L2s in the space, Mode currently sits within the Top 15 by TVL on DefiLlama.

2. Why it makes sense for Aave and Mode to pursue this new deployment.

Effects on Liquidity

- Increased Asset Pool

: Integration with Mode L2 allows Aave to leverage Mode's significant m-BTC liquidity and other assets, potentially enhancing the variety and volume in Aave's lending markets.

- Diverse Liquidity Sources

: The presence of synthetic Bitcoin as well as popular LRTs already on Mode broaden the liquidity base, making Aave's market more versatile.

User Adoption

- Lowered Cost and Enhanced UX

: Mode's low transaction fees and optimized user interface are likely to attract both existing and new DeFi users to Aave, increasing the protocol's adoption.

- Community Engagement

: Mode's proactive community outreach and education will aid in effectively onboarding new users to Aave, fostering a deeper understanding and longer-term user retention. Established DeFi players also feel more comfortable depositing in AAVE versus newer protocols, which should spur growth.

Overall Market Growth

- Market Expansion

: Aave's integration into Mode's DeFi-centric infrastructure contributes significantly to the broader adoption and growth of the DeFi market on Mode L2, likely to attract fresh capital from other chains who were otherwise waiting for Aave's deployment.

- Scalability and Efficiency

: Mode's infrastructure supports higher transaction volumes and operational efficiency, a boost for Aave's scalability and ability to serve more users without compromising on performance.

Impact on Mode's Liquidity

- Enhanced Platform Value

: Aave's robust lending options add substantial value to Mode's platform, enhancing overall liquidity and financial activity.

- Synergistic Effects

: Aave's deployment can attract additional protocols and assets that seek to utilize Aave's liquidity in yield-bearing architecture, thereby enriching Mode's entire DeFi ecosystem.

Contribution to Aave's Growth

- Strategic Expansion

: Deploying on Mode aligns with Aave's strategy to innovate within the DeFi space, using Mode's advanced L2 solutions to access new markets and user bases.

- Long-term Benefits

: Integration with Mode's diverse assets and user-friendly infrastructure is expected to sustain Aave's growth and presence in the competitive DeFi market.

3. Proof of Liquidity (POL) and Deposit Commitments

Mode will take several steps in ensuring deep liquidity is deposited to Aave upon deployment.

- Mode will integrate Aave into the Mode dashboard (100,000 daily visits) and points program, which has been a key driver of TVL for Mode applications.
- Mode will work with existing and new LPs to bootstrap pools.
- Mode will work with LRT partners to include Aave in ongoing dual incentive campaigns
- Mode will include Aave in Optimism related incentive campaigns

Useful Links:

Website: <https://www.mode.network/>

L2 Beat: <https://l2beat.com/scaling/projects/modeDefiLlama>: <https://defillama.com/chain/Mode>

Disclaimer:

This proposal is powered by Skywards. The Aave Chan Initiative is not directly affiliated with Mode and did not receive compensation for creation this proposal.

Next Steps

1. If consensus is reached on this [TEMP CHECK], escalate this proposal to the Snapshot stage.
2. If the Snapshot outcome is YAE, this proposal will be escalated to ARFC stage.
3. Publication of a standard ARFC, collect community & service providers feedback before escalating proposal to ARFC snapshot stage.
4. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal.

Copyright:

Copyright and related rights waived under [CC0](https://creativecommons.org/licenses/by/4.0/)