AIP: TBD

Title: MakerDAO Direct DAI Deposit Module (D3M) for the AAVE Arc Market

Status: Proposal

Authors: @zxMori_MakerDAO, and the whole of MakerDAO

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Simple Summary

We propose whitelisting the MakerDAO D3M on the Arc Market, in order to provide protocol-to-protocol liquidity for DAI.

Abstract

This proposal aims to whitelist the D3M contract which will provide liquidity for the DAI Stablecoin on the permissioned Arc market. This will allow users of the platform to borrow DAI at lower rates than in other competing protocols. The Direct DAI Deposit Module can provide deep liquidity at a relatively low cost to AAVE.

D3M Primer

The MakerDAO D3M, specified in MIP50, mints DAI and directly deposits it into a defined lending protocol, such as AAVE or Compound. An initial implementation for AAVE was deployed on 2021-10-27 successfully, and is now providing 100M DAI to the pool on the Ethereum Main Network.

The D3M aims to keep a target interest rate for the pool, which is used to limit the size of the Maker Protocol's deposit - ensuring DAI is the most competitive asset to be borrowed on the target liquidity protocols, compared to other stablecoins.

Since the AAVE Mainnet protocol is permissionless, we could deploy and run this on our own, injecting DAI into the market and lowering the borrow rates.

D3M on AAVE

The AAVE D3M right now is aiming to keep a variable lending rate of 3.9%. Maker Governance has set the ceiling for DAI emission via the D3M to 100M, and there is an ongoing discussion on raising it further, depending on our Risk Team's assessment.

The current, running implementation can be found here.

A dashboard which simulates the effect of the D3M on the Aave market can be found here. This has helped us determine the current debt ceiling and is a useful tool to keep track of MakerDAO's involvement in the lending pool.

Specification

The D3M for the Arc market smart contract should be whitelisted for access to the Arc market.

This is pending review at the moment, and we'll update this proposal once the contract has been deployed and verified.