

# [TEMP CHECK] Onboard dlcBTC to Aave v3 on Ethereum and Arbitrum

## Author:

Aki Balogh & ACI ( Aave Chan Initiative)

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## Simple Summary:

Proposal to onboard dlcBTC to Aave v3 on the Ethereum and Arbitrum pools.

## Motivation/Background:

dlcBTC is a decentralized wrapped Bitcoin on Ethereum, enabling Bitcoin holders to participate in DeFi protocols while retaining full ownership of their assets. It leverages Discreet Log Contracts (DLCs) for secure cross-chain transactions, ensuring trustless and decentralized asset management. dlcBTC is minted by a decentralized set of merchants who lock BTC with themselves (a process we call “self-wrapping”), ensuring self-custody and reducing central points of failure.

Unlike other bridges, dlcBTC merchants “self-wrap” Bitcoin, meaning funds are never sent to an external address, reducing the risk of theft or loss. dlcBTC has a Chainlink proof of reserve feed. See

<https://data.chain.link/feeds/arbitrum/mainnet/dlcbtc-por>.

Benefits of listing that token:

Listing dlcBTC will enable Bitcoin holders to use their assets as collateral within Aave, increasing liquidity and user engagement on the platform. It will attract a broader user base from the Bitcoin community and enhance the diversity of collateral options within Aave. Additionally, it supports DeFi platforms such as Nektar and Swaap, which can generate staking yield using dlcBTC.

Market Impact:

Including dlcBTC will positively impact Aave’s liquidity and user adoption, leveraging Bitcoin’s status as the largest digital asset by market cap and its global brand recognition. The secure and decentralized nature of dlcBTC will contribute to the platform’s growth and stability, enhancing security for users and expanding the overall market reach of Aave. While wBTC has seen great success, its reliance on a single custodian introduces significant counterparty risk. dlcBTC addresses this by decentralizing the merchant set, substantially reducing the potential for counterparty failures.

Chain to be deployed/listed:

Ethereum, Arbitrum

Proof of Liquidity (POL) and Deposit Commitments:

- Use dlcBTC as collateral within Aave, enhancing liquidity options
- Commitments from the federated set of merchants to ensure “self-wrapped” Bitcoin deposits, visible at the [DLC.Link dlcBTC Website](#). Merchants in the process of onboarding include Amber Group, IMC, HashKey and Time Research
- Integration into DeFi platforms such as Nektar, Swaap and Archimedes to generate yield using dlcBTC
- As an exclusive offer to Aave users:
- Earn 6X points when you use dlcBTC as borrow collateral on Aave
- Earn 8X points when you deposit dlcBTC and mint GHO
- Note: Health Factor of the position must be between 1.5 and 3 to qualify for this offer
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## Useful Links:

### Overview:

- Blockworks: [Building a better wrapped bitcoin for DeFi - Blockworks](#)
- Bitcoin.com: [How DLCs Can Enable Defi Deposits and Fulfill Bitcoin's Promise – Op-Ed Bitcoin News](#)
- OKX: [OKX Ventures Announces Investment in DLC.Link, the First Native Bitcoin DeFi Protocol](#)

### Explainer Videos:

- Introducing dlcBTC <https://youtu.be/DMRDmqYpjr8>
- What is a DLC Attestor? <https://youtu.be/nSOmBWkPNko>
- Introducing the dlcBTC Merchant Network <https://youtu.be/p6gfxxc2Orl>

### Technical Docs:

- dlcBTC Lightpaper: [Lightpaper & Audit Reports | DLC.Link Docs](#)
- Original DLC Whitepaper (2018): <https://adiabat.github.io/dlc.pdf>
- Developer Docs: <https://docs.dlc.link/>

### Socials:

- Twitter: [https://twitter.com/dlc\\_link](https://twitter.com/dlc_link)
- Telegram community: <https://t.me/dlclink>

## Disclaimer:

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

The co-author is a team member of DCL.Link.

## 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, escalate 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.