Summary:

A proposal to decrease stablecoin Interest Rate parameters across all Aave deployments.

Motivation

Following the anticipated decrease in DSR — from 10% to 8% — we believe it is prudent to update Aave stablecoin interest rates to best align with the broader market. Previously, we [recommended](#) reducing rates concurrent with the last DSR decrease from 13% to 10% in April.

The new parameters went into effect on May 6, 2024, and thus far have helped improve rate stability and utilization rates. As part of our ongoing monitoring of broader markets, we note that MakerDAO is in the process of reducing the DAI Savings Rate, which could impact stablecoin rates throughout DeFi.

Following our methodology laid out in previous [recommendations,](#) we recommend closely aligning Slope1 with the DSR to reduce the opportunity of rate arbitrage and ensure that Aave remains competitive. As a result, we propose decreasing Slope1 by an equivalent amount: from 9% to 7%.

Caveats:

1. We do not recommend an update to the following assets on lower-cap stablecoins on Ethereum V2, as they are currently being deprecated.

2. Similar to the previous proposals, we recommend bridged USDC.e on all deployments to have a 1% higher slope1 to motivate the borrowing of native USDC.

Specification

Market

Asset

Current Slope1

Recommended Slope1

Ethereum V2

USDC

9%

7%

Ethereum V2

USDT

9%

7%

Ethereum V2

DAI

9%

7%

Ethereum V2

FRAX

12%

No Change

Ethereum V2

sUSD

12%

No Change

Ethereum V2

GUSD

12%

No Change

Ethereum V2

LUSD

12%

No Change

Ethereum V2

USDP

12%

No Change

Ethereum V3

USDC

9%

7%

Ethereum V3

USDT

9%

7%

Ethereum V3

FRAX

9%

7%

Ethereum V3

DAI

9%

7%

Ethereum V3

LUSD

9%

7%

Ethereum V3

pyUSD

9%

7%

Ethereum V3

crvUSD

9%

7%

Avalanche V3

USDC

9%

7%

Avalanche V3

USDT

9%

7%

Avalanche V3

DAI

9%

7%

Avalanche V3

MAI

9%

7%

Avalanche V3

FRAX

9%

7%

Polygon V3

USDC

9%

7%

Polygon V3

USDT

9%

7%

Polygon V3

DAI

9%

7%

Polygon V3

MAI

9%

7%

Polygon V3

EURA

9%

7%

Polygon V3

EURS

9%

7%

Polygon V3

jEUR

9%

7%

Polygon V3

USDC.e

10%

8%

Optimism V3

USDC

9%

7%

Optimism V3

USDT

9%

7%

Optimism V3

DAI

9%

7%

Optimism V3

sUSD

9%

7%

Optimism V3

LUSD

9%

7%

Optimism V3

MAI

9%

7%

Optimism V3

USDC.e

10%

8%

Arbitrum V3

USDC

9%

7%

Arbitrum V3

USDC.e

10%

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Arbitrum V3

USDT

9%

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Arbitrum V3

DAI

9%

7%

Arbitrum V3

LUSD

9%

7%

Arbitrum V3

FRAX

9%

7%

Arbitrum V3

MAI

9%

7%

Arbitrum V3

EURS

9%

7%

Base V3

USDbC

10%

8%

Base V3

USDC

9%

7%

Metis V3

m.USDC

6%

No Change

Metis V3

m.USDT

6%

No Change

Metis V3

m.DAI

6%

No Change

BNB Chain V3

USDT

9%

7%

BNB Chain V3

USDC

9%

7%

BNB Chain V3

FDUSD

9%

7%

Scroll V3

USDC

9%

7%

Gnosis V3

WXDAI

9%

7%

Gnosis V3

USDC

9%

7%

Gnosis V3

EURe

9%

7%

Next Steps

1. Following community feedback, submit an Aave Improvement Proposal (AIP) to implement the proposed updates.

2. We believe this adjustment will align the protocol's rates more closely with current market conditions and borrower behavior. Based on the outcomes, potential future steps include:

3. Further adjustment of Slope1:

Depending on the market's and community's response to the initial adjustment, additional adjustments in Slope1 could be considered to further optimize the IR curves.

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As always, our priority remains to monitor these developments closely and provide timely, data-driven recommendations to maintain Aave's competitive edge and market responsiveness.