

Title:

[TEMP CHECK] Merit - A New Aave-Alignment User Reward System

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## Summary

Introducing “Merit,” an Aave-alignment user reward system, designed as a merkle-tree-based periodic airdrop to incentivize Aave-aligned behaviors and enhance the competitiveness of the Aave protocol.

## Motivation

In an increasingly competitive DeFi landscape, Aave seeks to innovate its protocol efficiency and appeal. “Merit” aims to distinguish Aave with a rewarding system that emphasizes actions beneficial to the DAO, countering competitors’ use of points or non-transferable tokens. while increasing DAO revenue and wanted behaviour.

## Specification

“Merit” is a booster-based reward system with specific actions that earn points over time. These points determine the weekly distribution of StkAAVE and GHO rewards. The precise calculations are kept private to prevent gaming of the system. Merit does not provide any benefits to Sybil’s actions.

### Rewarded Actions

Actions that align with Aave’s strategic objectives will be rewarded:

Action

Deposit LST, Borrow wETH

Deposit LSTs, Borrow wETH using emode

Deposit sDAI, Borrow GHO

Deposit USDC/USDT, Borrow GHO

Deposit AAVE, Borrow GHO

### Merit boosters

Merit boosters enhance these rewards for specific behaviors:

Behavior

Multiplier description

Staker

Bonus for staking AAVE, StkBPT, StkGHO

Active in Governance

Rewards for voting or delegating to an Aave DAO recognized delegate platform

First-degree User

Bonus for direct Aave protocol users

Second-degree user of aligned protocol

booster for users coming from aligned protocols that favor Aave over other protocols.

Migrator

Incentive for moving positions to Aave from others protocols

Diversity Supporter

Rewards for using minority LSTs

OG DAO Participant

Booster for early DAO voters or delegates

Holdoor

Booster for  $\geq 100$ -day AAVE holders in the past year

Stakoor

Booster for  $\geq 100$ -day StkAAVE holders in the past year

## Merit Diluters

Merit Diluters will dilute part or all rewards for certain behaviors:

Behavior

Penalty Description/Effect

User of Non-Aligned Protocol

Severe dilution (up to -100%)

Dumpoor Sold threshold amount of the previous week's airdrop

dilution

Freerider Has not voted or delegated to a recognized Aave DAO delegate Platform

Light dilution

- User A

: This user regularly engages in actions rewarded by "Merit." As a direct participant in the Aave protocol, User A can expect to receive slightly higher rewards compared to users with indirect involvement.

- User B

: This user is highly active within the Aave ecosystem. By staking in the Safety Module and actively participating in governance (voting or delegating), User B is eligible for enhanced rewards through the "Merit" system.

- User C

: This user operates through non-aligned protocols, As a result, User C will not receive any periodic rewards from the "Merit" system.

## Budget, Duration Scope

- Weekly Budget:

Defined by Aave Finance service providers at ARFC stage.

- Duration:

Initial 90-day period.

- Scope

: Aave V3 Ethereum

## Non-aligned protocol list:

We propose to launch Merit with a single protocol with non-aligned status: Morpho Aave Optimizers V2 & V3

## Migration bonus multipliers list:

We propose to apply the “migrator” Boosters to users of the following protocols:

- Morpho V2
- Morpho V3
- Morpho Blue
- Spark

### **Start of the snapshot to calculate Merit rewards:**

Timestamp equivalent block of the publication of this TEMP CHECK with retroactive rewards at the time of implementation of this proposal in case of a successful AIP vote.

## **Next Steps**

1. Refine the proposal details based on community feedback to achieve consensus.
2. Conduct a TEMP CHECK snapshot vote.
3. If successful, escalate to the ARFC stage, followed by an ARFC snapshot vote.
4. Upon successful ARFC outcome, prepare and submit an AIP for implementation.

## **Disclosure**

The Aave Chan Initiative independently proposes “Merit,” without external compensation.

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