Summary:

This is a proposal for adding borrow/lend support for TerraUSD (UST) on AAVE

Background:

TerraUSD (UST) is an algorithmic, seigniorage-based stablecoin issued by Terraform Labs (TFL). UST is one of the fastest growing algorithmically stablecoins to-date. Its market capitalization has grown to almost $200 million (https://www.coingecko.com/en/coins/terra-usd) since its inception on October 1.

TFL currently uses Shuttle (https://github.com/terra-project/shuttle#terra–ethereum) to bring Terra assets, including UST, to Ethereum. At the time of this writing, the supply of erc-20 UST is roughly $50 million.

Liquidity:

Current stablecoins supported by Aave (by market size):

1. USDT ($23B)

2. USDC ($4.5B)

3. DAI ($1.3B)

4. BUSD ($1.1B)

5. HUSD ($280M)

6. UST (190M)

7. SUSD ($160M)

8. GUSD ($33M) - just passed

UST currently has a daily trading volume of ~$20 million, and is supported on Curve.fi, SushiSwap, Uniswap: https://eth.mirror.finance/, and is a centerpiece of Mirror Protocol (https://mirror.finance/).

Benefits for Aave:

1. Diversification of stablecoin assets: the majority of stablecoins on Aave are centralized. Adding UST would add diversity to the different asset types and decrease aggregate risk of the Aave ecosystem

2. Diversity of users from both the Terra community (and broader Asia)

3. Mirror Protocol (https://mirror.finance/) has recently been launched, driving demand for UST. We believe UST support will provide significant liquidity to the Aave ecosystem

Additional resources on UST:

● Blog: Announcing TerraUSD (UST)— the Interchain Stablecoin | by Do Kwon | Terra Money | Medium

● Website: https://terra.money/

● Docs: https://docs.terra.money/contracts/#growing-active-user-base-with-real-world-usage

● Contract address: $1.0300 | Wrapped UST Token (UST) Token Tracker | Etherscan

● Security audit conducted by Certik: https://certificate.certik.io/reports/terra.pdf