

Title

: Aave Treasury Proposal: Onboard with Centrifuge Prime to invest in RWA

Author

: [@Khan](#)

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Summary

This proposal requests that a portion of the Aave Treasury's stablecoin holdings be allocated to a low-risk RWA investment through Centrifuge Prime.

This will allow Aave to earn yield on idle stablecoins, establish long-term RWA infrastructure for the protocol, and allow the Aave DAO to begin building internal familiarity and expertise in this market. The Aave Treasury will primarily benefit from an allocation into uncorrelated and differentiated collateral beyond crypto native assets.

The main results of this proposal:

1. Aave will onboard to Centrifuge Prime to establish the legal and technical infrastructure for the Aave treasury to invest in RWA
2. Aave Treasury to allocate to RWA, with an initial investment of 1M USDC into short-duration US treasuries, increasing to a target allocation of up to 20% of stablecoin holdings, and with the option to extend to other yields subject to Aave governance approval.

Motivation

Aave has long been a contributor and supporter of RWA initiatives. Since the first announcement of GHO, the Aave community has consistently expressed its interest in expanding into this area. Treasury Management at Aave has historically been focused on strategic crypto assets, overlooking the returns and liquidity available in offchain markets.

Today, with roughly 65% of the treasury in USDC (~15m USD), the Aave DAO is overlooking the 5% available interest in the risk-free rate of overnight financing of US treasury assets. This can offer \$250,000 of revenue a year at just 5m USD of investment (a ~30% allocation of the current USDC balance). These markets can immediately become some of the highest earning revenue streams for the DAO.

Beyond just economics, this proposal would allow the Aave DAO to establish and begin developing the internal RWA expertise necessary to engage with these markets. Centrifuge Prime has been purpose built for DAOs, offering the ability to create a dedicated infrastructure, onboard with an ecosystem of partners, and access the relevant portfolio of assets through a single interface.

Centrifuge has a long track record of working with DAOs to bring RWA on as collateral, and pioneered the first Aave deployment into RWA with the joint development of the RWA Market. Onboarding Aave to Centrifuge Prime for liquid investment strategies is an optimal approach for scaling RWA with the Aave community. It will develop the legal and technical infrastructure necessary to interface with RWAs safely and efficiently, while allowing the Aave community to get comfortable and familiar with the processes and thinking around RWA. This will put Aave in a significantly improved position to be able to leverage RWA collateral for GHO in the long term, either to improve liquidity or develop additional revenue streams, while also earning revenue today on idle stablecoin assets.

Specification

This proposal instructs Centrifuge to initiate the setup of a legal structure that will be ratified and deployed by a subsequent Aave community vote. The legal structure will be integrated with DAO governance, capable of investing and holding assets on behalf of the DAO, and ultimately allow the Aave DAO legal recourse to their investments with control held by governance token holders. This framework is based on our extensive experience in MakerDAO setting up [similar structures](#).

The investment process will be made in an incremental approach with follow-on approval from the community, to be made by Centrifuge once this proposal is approved. Prime allows the Aave DAO to instruct the portfolio creation and allocation decisions. The initial investments will be a short term US treasury bill fund, with further opportunities to diversify yields available later on.

Centrifuge Prime can help the Aave DAO to allocate into the following asset classes:

Bucket

Description

Target Return

Liquidity

Liquid

Lowest risk while maintaining US Treasuries, MMF, AA+ rated short term bonds

5-6%

Daily

Preservation

Investments in senior secured loans such as real estate, corporate bonds etc.

6-8%

3-6 months

Acceleration

Trade finance, non-bank originators, emerging markets

8-15%

3-24mo

The legal structure establishes a Caymans Islands foundation company. The articles that establish this foundation company define rules and procedures that only allow the foundation to receive and follow orders from a DAO governance process. The foundation company does not represent the DAO generally but simply serves as a tool that the DAO can use to engage with the traditional legal system of RWA markets.

Rollout

It is best for Aave to deploy into RWAs slowly. We propose to start off with an initial deployment into a Short Term US Treasury fund with an initial investment of \$1M and then slowly ramping up.

Phase

Legal setup

Creation of Foundation Company, passing of DAO resolutions to start deployment into RWAs

1-2 months

Initial Deployment

DAO instructs Foundation to deploy \$1M into a US Treasuries Fund and transfers \$1M in USDC Stablecoins into a first investment pool

3mo

Scaling up / Ongoing Operation

DAO can vote on increase allocation to Prime and direct investments towards a variety of liquid lower yielding and more longer term investments at any time

After 3mo

Fees

While there are some legal setup costs that have to be covered by the DAO upfront we limit these as much as possible. Even at a conservative deployment of just \$2M and a portfolio return equal to current US Treasury yields Aave should break-even within the first 6mo and start generating revenue for the DAO thereafter. The legal work will be useful far beyond this initial proposal and could be the basis on which Aave onboards RWAs into GHO.

Fees

Legal Setup

up to 50,000 USDC

To be paid immediately for lawyers and Cayman service providers to setup a Cayman foundation company to the benefit of the Aave DAO, any unused budget will be returned to the Aave treasury

Portfolio Fee

0.35% p.a. on assets in Prime up to \$50M, 0.2% \$50-100M, 0.1% >\$100M

Paid on an ongoing basis to Centrifuge for maintaining the portfolio

Aave Reward

500 stkAave streamed over 2 years

Centrifuge DAO intends for this to create better alignment with strong skin in the game incentives for success.

Additional Resources

- [Centrifuge Prime Announcement](#)
- [A Discussion on a GHO Real World Asset Facilitator](#)
- [Centrifuge website](#) and [docs](#)

Disclaimer

: This proposal is written by a member of the k/factory team, a core contributor to the Centrifuge protocol.

Next Steps

: This proposal will move to an offchain snapshot vote in 7-14 days, and if successful, to an onchain AIP immediately after. The Centrifuge team is available for a community call to discuss this proposal, Centrifuge Prime, and other topics in further detail as requested by the Aave community.

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