

Summary

We propose listing the [Uniswap V2 DPI-ETH LP token](#) as collateral on [Aave AMM](#). [Aave](#) would be the first lending protocol to integrate the [Uniswap V2 DPI-ETH LP token](#) into its platform.

Motivation

Launched in October 2020 by [Index Coop](#), [DPI](#) has grown to over \$200M and is currently the most widely traded index product on ethereum. The main liquidity pool for [DPI-ETH](#) is on [Uniswap V2](#) with ~\$55M of capital deposited into the pool earning ~16.5% per annum in trading fee income.

The [DPI-ETH](#) pair is a low volatility pair making the LP token ideal collateral on [Aave AMM](#). [DPI-ETH](#) is the 16th largest pool listed Uniswap V2 and is capable of supporting a \$184.5K trade for 1% slippage. This is significantly deeper liquidity relative to a number of leading DeFi protocol tokens already listed on [Aave AMM](#).

At the time of writing [DPI](#) comprises [20.88%](#) AAVE tokens and the [DPI-ETH LP token](#) 10.44% AAVE. Adding [DPI-ETH LP tokens](#) as collateral would bring users into the Aave AMM ecosystem allowing capital, yield and value to accrue to Aave participants.

Specification

Details on [DPI](#) the asset can be found on the [ARC: Add support for DeFi Pulse Index \(DPI\)](#) forum post. [DPI-ETH](#) has a [Chainlink oracle](#). [DPI-ETH LP](#) token price data can be obtained from [etherscan](#).

[DPI-ETH](#) Chainlink Oracle: [Ethereum Price Feeds | Chainlink Documentation](#)

Currently, [Index Coop](#) offers liquidity mining rewards for depositing the [DPI-ETH LP](#) token into a [staking contract](#) via the [Index Coop](#) website. Liquidity mining rewards are currently 12.4% at the time of writing in addition to ~16.5% trading fee income.

As [DPI-ETH](#) has no governance voting power and the emission schedule of the LP token is determined by users depositing into the Uniswap V2 liquidity pool. Currently, Aave AMM will be the first lending protocol to accept [DPI-ETH LP](#) token as collateral. There is no multisig controlling the trustless Uniswap V2 pool.

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1600x316

](https://lh5.googleusercontent.com/wx9wa7Y_u1p83WAq_3xF6xVIXmNT-iXbnL9ZZ_f_46KAliXOc9Xm7S6VDt9GaJg0YL55LIf20f7mZZpJla58E_q9Qlroq27vRjyC91w3J5SaeLLo_-i7Z2xmmPKUnrWBCLZ8xxcA)

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Technical Specification

[DPI-ETH LP token - Aave Risk Assessment](#)

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Screenshot 2021-06-01 at 20.40.51

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The Uniswap V2 DPI-ETH pool has a 7-day average trading volume of $10.9M, ~$55M of liquidity and the pool was seeded 6th October 2020, 262 days prior to 1st June 2021.

There are over 900 unique holders of 23,324 DPI-ETH LP units, of which ~700 unique holders have deposited ~94.4% of the circulating supply into Index Coop's staking contract. Etherscan shows 36,637 transfers of the DPI-ETH LP token.

DPI the asset has an overall risk score of B and Uniswap V2 DPI-ETH LP has marginally better risk score of B+. Referring to aAMM-Market documentation, this assessment is aligned with AAVE, UNI, MKR, SNX and YFI which all experienced improving risk scores on AMM relative to Aave V2.

Using equations cited below, the following volatility statistics have been calculated for the LP tokens USD value.
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DPI-ETH LP 7 days volatility = 0.0712
DPI-ETH LP 30 days volatility = 0.0558
DPI-ETH LP 90 days volatility = 0.0644
DPI-ETH LP 180 days volatility = 0.0632

Risk Parameters

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The risk parameters mentioned above are in line with other LP tokens like Uniswap and Maker. Aave documentation states the Liquidation Bonus is set at 15% for all LP tokens. The LTV & Liquidation Threshold parameters are derived from DPI's risk assessment.

Further reference material on DPI can be found on ARC: Add support for DeFi Pulse Index \(DPI\)
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Author

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Fire
on discord and I am a contributor at Index Coop.

Proposal Power

I am glad to announce Index Coop has created a proposal power delegation address to get DPI listed on Aave V2.
For AAVE holders that would like to show support for listing [Uniswap V2 DPI-ETH LP](#) on [Aave AMM](#), please delegate your proposal powers to the following address.
[0x1870D5Be439E3cB1aeCFf581d6572066e5098eAA](#)
Thank you in advance for your support :)