Hi! I'm Luis, a web2 developer that wants to get involved in the Web3 space and start contributing to the Aave ecosystem. I have been reading the governance forum for some time, following the evolution of the Aave ecosystem and I am impressed with the enormous amount of talented and thoughtful people that gather here.

A bit about me:

Based in Spain, I consider myself a Backend Developer with expertise in JavaScript and WebApp applications. For the last 2 years, I worked in a consultancy firm building microservices while learning about blockchain technology, crypto and DeFi in my free time. Got so captivated by the speed of innovation, expansion and adoption of the space that I am eager to jump to the playing field.

I have been following the evolution of the Aave community for some time and I identified some areas/projects that may need some technical work. Aave Arc is one of them, and I would like to submit this proposal as my first contribution to the Aave ecosystem.

This post let me introduce myself to the community and propose a grant request to bootstrap the Liquidity Mining program in the Aave Arc market. This work would allow me to make my debut as Aave and Web3 contributor as well as add value to the Aave Arc market.

The following proposal was previously submitted to the Aave Grants DAO, which suggested to submit it here given its scope and importance of it.

Summary

This ARC proposes the upgrade of the contracts of the Aave Arc to support incentives/rewards within this market. It presents the community the opportunity of i) adding rewards contracts to the market and ii) activating stkAAVE incentives (liquidity mining program) to foster activity.

Motivation

The permissioned market Aave Arc started 1 year ago with Fireblocks as the first whitelister [2]. Today, the market has 3 whitelisters who have been onboarding users into the system over time, reaching around $29M TVL at the time of writing. The activity of the market has remained low since its beginning, bringing little revenue to the community treasury.

Liquidity Mining has demonstrated to be a good strategy to capture attention and attract liquidity in DeFi and the Aave protocol in particular. Incentives can be used to bring activity to the market in general, and the usage of particular assets within it.

There have been discussions in the past about launching stkAAVE incentives to bring more activity to this market but they were never activated [3]. The main reason of this is because contracts do not support the distribution of rewards based on users' activity. To support incentives, aTokens and DebtTokens contracts need to be upgraded, so they can keep track of user interactions within the pool and distribute rewards accordingly.

The support of incentives is key for the success of this market because it fosters activity, via distributing rewards in the form of stkAAVE (Aave Protocol LM) or any other asset (e.g. IndexCoop DAO LM with DPI [4]. Furthermore, the activation of stkAAVE Liquidity Mining program is the best-suited way to ignite a spark of interest in permissioned investors so the market increases its TVL and becomes self-sustainable.

Specification

The main goal of this AIP is to give the Arc Market the ability to distribute any kind of ERC20-compatible asset as a reward to users based on their activity. This requires an upgrade of the contracts implementations, so every time a user interacts with the pool it calls a hook of the rewards contract to keep track of its position and accumulate rewards accordingly.

The aToken/debtToken contracts do not have this hook call, so the upgrade consists of the inclusion of it. These contracts will use Aave V3 Rewards contracts since they support multiple rewards at the same time and are fully compatible.

Additionally, this AIP activates the stkAAVE Liquidity Mining program. Back on February 2022, with AIP 60, there was a LM update to reduce stkAAVE incentives of Ethereum Aave V2 Market by 30%. It also had the intention to redirect 10% of those (46.2 daily stkAAVE) to the Aave ARC market, which never happened due to the technical impossibility previously mentioned.

This proposal suggests to kicking start stkAAVE incentives with the configuration that was discussed on the mentioned AIP for a period of 90 days. Once this AIP passes, the community should discuss the continuation of the stkAAVE LM program for Arc Market.

The table below shows the LM allocation across the Aave ARC market asset listings:

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Table

770×134 6.28 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/3/37408424fa329cc5ab7716c0ce8a3374368cad0f.png)

Note: TVL on 10th of September 2022.

The stkAAVE LM is estimated to cost $4.6K per day assuming 4,158 stkAAVE at $100 per token.

Compensation

To compensate for the work done for this proposal I would like to ask for a grant of $30k in form of USDC. This amount will be covered by Aave Grants DAO as part of their grants program.

My intention is to participate more in the Aave governance: contributing, voting and potentially becoming a delegate.

Conclusion

This proposal seeks the approval of the community on two items:

1. Upgrade Arc Market to add Rewards contracts.

2. Launch the initial stkAAVE Liquidity Mining program.

Unless the community decides against per the discussion here, by approving any of the two, the community approves the above compensation.

The AIP will be ready once the snapshot passes and passed along to BGD labs team so It can be carefully reviewed.

Looking forward to your thoughts and feedback. Thanks for reading.

Useful Links

[1] [Aave Arc Docs](#)

[2] [Adding Fireblocks as whitelister on Aave Arc](#)

[3] [Continue Liquidity Mining Program on Aave V2 and Introduce Liquidity Mining on Aave Arc](#)

[4] [Add DPI as collateral on Aave Arc](#)