

ARC: Add support for RAI

Summary

[Reflexer Labs](#) has designed a new type of stable asset [RAI](#), a self-stabilizing asset backed credit facility. This proposal aims to introduce RAI to the Aave community and propose RAI's addition to Aave Money Markets.

Background on RAI and Stable Credit Facilities

After its launch in February, over \$100m worth of RAI has been minted and more than \$300M worth of ETH have been deposited in the protocol. RAI has managed to stabilize using its on-chain PID controller and is now undergoing a [governance minimization process](#) with the intention to harden the protocol.

DeFi Lego

- Fork of MakerDAO's Multi-Collateral DAI (MCD)
- Governance-Minimized in the Long Run
- Algorithmic (PID) interest rates

Self-stabilizing asset-backed credit facility

- Like MakerDAO, users can unlock credit from their ETH
- Unlike MakerDAO, debt/credit is not fixed at \$1. Rather, it fluctuates based on supply and demand.
- RAI's PI controller updates the system's moving peg to balance demand for debt vs. credit

Reserve asset for DeFi, alternative to "stablecoins"

- More decentralized than dollar coins like USDC & USDT
- Independent of USD inflationary monetary policy
- Avoids being targeted by dollar coin regulation like the "Stable Act"
- Backed by pure ETH, no centralized collateral.

Motivation

Introducing more trustless, stable assets into Aave money markets will benefit both Aave and the ecosystem as a whole. The addition of RAI will diversify the protocol's exposure to stable assets beyond traditional dollar-pegged stablecoins and provide enough bandwidth to grow the protocols TVL.

Currently, \$670m (~75%) of the stable asset liquidity on Aave is centralised (USDC, USDT, TUSD, BUSD, GUSD) while only \$166m (~25%) is decentralised (DAI, sUSD).

While this isn't inherently a negative, introducing more decentralised, stable assets adds to Aave's composability and resilience.

RAI also stands to benefit from being able to expand its utility and liquidity across the largest lending protocol in the space, allowing for more experimentation to occur in the ongoing journey towards entirely trustless and decentralized stable-credit.

Benefits to Aave Community

The Aave community would benefit from adding RAI as a collateral asset in several ways:

- Increased stable asset liquidity and protocol TVL in general
- Introduction of more decentralised

, non-dollar pegged stable assets to the Aave protocol

- An expansion of the Aave community, introducing the Reflexer & RAI communities to Aave, growing a stronger community.

TL;DR

Add RAI to Aave's Money Markets in order to expand the protocol's decentralised stable asset offering.

Resources

- [Whitepaper](#)
- [Website](#)
- [Twitter](#)
- [Medium](#)
- [Docs](#)
- [Github](#)
- [Token Contract](#)

Specifications

1. What is the link between the author of the AIP and the Asset?

—
([Fire Eyes DAO](#)) is working alongside the Reflexer team to communicate and coordinate this integration.

—
is a DAO navigating token economic and governance systems across the DeFi ecosystem (including [Aave!](#)).

1. Provide a brief high-level overview of the project and the token

RAI is a decentralized non-pegged ETH-back stable asset meant to act as pristine collateral in DeFi.

1. Explain positioning of token in the AAVE ecosystem. Why would it be a good borrow or collateral asset?

Other stablecoins are either centralized or pegged to the dollar. RAI is neither of those and aligns perfectly with the ethos of trust-minimized finance.

1. Provide a brief history of the project and the different components: DAO (is it live?), products (are the live?). How did it overcome some of the challenges it faced?

RAI launched in February and has amassed over \$100M in liquidity with \$300M in value locked. RAI is governance minimised by design, as well as currently moving towards a grants DAO.

5.How is the asset currently used?

RAI is currently used as a trust-minimized alternative to other stablecoins. The goal is to drive adoption of RAI to be used as collateral in money markets, other synthetic assets, and more.

1. Emission schedule

There is no emission schedule. Similar to DAI, RAI minted on demand when users lock ETH into the protocol.

1. Token & protocol permissions and upgradability

Right now the protocol is almost fully upgradeable. This includes anything from oracles, the contract that collects stability fees, the contract that liquidates positions, the one that auctions collateral etc. This is managed through a multisig with a 6 hour delay on any governance action. Managed by the Reflexer core team. The multisig manages the full system and will do so until rai is gov minimized.

On the other hand, the contract that keeps track of debt and collateral in all Safes (CDPs) cannot be upgraded.

1. Market data (Market Cap, 24h Volume, Volatility, Exchanges, Maturity)
2. Market Cap: \$100M
3. 24h Volume: \$10M
4. Volatility: Very Low
5. Maturity: Early-Mid
6. Social channels data (Size of communities, activity on Github)

10K followers on Twitter, 5K members on Discord, [Github](#) is highly active.

1. Contracts date of deployments, number of transactions, number of holders for tokens
2. Date of Deployment: February 13th, 2021
3. Number of Transactions: 40,000+
4. Number of Holders: 2,000+

Risk Assessment

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image

1216×128 8.4 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/1X/7144586940270f4b24748f5218c9cfae6cf4cb72.png)

Thanks to the Aave community in advance!