

Summary

This proposal presents Aave with the opportunity to onboard GUSD in isolation mode to the Ethereum Aave V3 Market.

Motivation

As part of the community efforts on the V2 to V3 migration, Chaos Labs proposed [a multi-phased plan](#) to promote V3 adoption. As per this plan, Chaos Labs proposes to list GUSD on Aave V3 on Ethereum. GUSD is currently listed on V2 Ethereum as a non-collateral asset.

Liquidity and Market Cap

When analyzing market cap and trading volumes of assets for listing, we look at data from the past 180 days. The average market cap of GUSD over the past 180 days was ~\$527M, and the average daily trading volume was ~\$1M (CeFi & DeFi).

Liquidation Threshold

Analyzing GUSD price volatility over the past, we observed daily annualized volatility of 5.13% and 30-day annualized volatility of 2.38%. Considering this volatility and the history of GUSD on other networks, we recommend an initial LT of 75%.

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](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/c/c5d62b62ecd7c4158517422a6cffab68071df29c.jpeg)

We recommend listing GUSD as borrowable, as we do not observe a significant risk to the protocol by allowing to borrow of GUSD, as long as it is bound by a well-defined cap.

Debt Ceiling

Following [Chaos Labs' Isolation Mode Methodology](#), we recommend an initial debt ceiling of \$3.5M. Under the methodology for Isolation Mode, we consider two levels of probabilities for extreme price drops - Medium-High and High. We estimate the probability of an extreme price drop for GUSD as Medium-High. Given this debt ceiling, we do not identify a profitable attack vector under the current liquidity levels.

Supply Cap, Borrow Cap, and Liquidation Bonus

When evaluating the initial supply caps for migrated assets from Aave V2 Market, we carefully analyze the latest supply for the asset and consider it as the demand for supplying the asset. We then ensure that this amount is aligned with the current liquidity on-chain.

Furthermore, we take into account the debt ceiling calculated using our methodology and derive a supply cap that aligns with the debt ceiling. This approach is aimed at minimizing the risks associated with listing assets while ensuring that the supply cap is aligned with the overall liquidity of the platform and the potential risks that the asset might pose to the protocol.

Accordingly, We recommend a supply cap of 5M GUSD, and a borrow cap of 4M GUSD.

Given the concentrated liquidity of GUSD we recommend a 5% Liquidation Bonus.

For the Reserve Factor

, Liquidation Protocol Fee

, and Interest Rate curves

, we recommend aligning the parameters to the other stablecoins currently on Ethereum V3.

Specification

Ticker: GUSD

Contract Address: [0x056Fd409E1d7A124BD7017459dFEa2F387b6d5Cd](#)

Parameter

Value

Isolation Mode

Yes

Borrowable

Yes

Collateral Enabled

Yes

Supply Cap (GUSD)

5M

Borrow Cap (GUSD)

4M

Debt Ceiling

\$3.5M

LTV

70.00%

LT

75.00%

Liquidation Bonus

5.00%

Liquidation Protocol Fee

10.00%

Variable Base

0.00%

Variable Slope1

4.00%

Variable Slope2

75.00%

Uoptimal

80.00%

Reserve Factor

10.00%

Stable Borrowing

Disabled

Flahloanable

Yes

Siloed Borrowing

No

Borrowed in Isolation

No

Next Steps

1. If consensus is reached and the proposal is refined, submit the ARFC for a snapshot vote for final approval.
2. If consensus is reached, submit an Aave Improvement Proposal (AIP) to onboard GUSD on the Ethereum Aave V3 pool.

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