[TEMP CHECK] Deploy Aave on Rootstock Network

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Summary

This Temperature Check advocates the deployment of Aave on the Rootstock network, the longest-standing and battle-tested EVM-compatible Bitcoin L2, by providing general background information to gauge the community's interest in the opportunity to deploy Aave V3 on Rootstock.

This deployment proposal is an opportunity to tap into the growing interest in Bitcoin-based DeFi and unlock the vast potential of the Bitcoin market cap by expanding BTC utility via Aave's protocol. This would be possible through Rootstock's native token, RBTC, which is a 1:1 BTC-pegged asset redeemable for BTC via a secure and trust-minimized two-way-peg. As a Proof-of-Work chain secured by more than 60% of Bitcoin's hash power through a merged-mining mechanism, Rootstock ensures a safe network for those users who aim to leverage their BTC but do not want to lack Bitcoin security.

The proposal outlines a comprehensive liquidity bootstrapping and incentives distribution strategy to ensure the success of deploying Aave on Rootstock. This includes an initial liquidity injection commitment of 500 RBTC in collaboration with RootstockLabs and ecosystem partners and a $750,000 incentives program. Rootstrock is also willing to integrate the GHO stablecoin in its ecosystem providing rate predictability for users.

Motivation

Rootstock, the first and most secured Bitcoin Layer, aims to enhance Bitcoin's functionality by allowing smart contracts on top of Bitcoin. It is the first EVM-compatible Bitcoin sidechain and uses merged mining consensus for enhanced security and scalability. Rootstock has secured over 60% of the total Bitcoin hashrate, meaning that more than 60% of Bitcoin miners are securing the Rootstock network using the same hardware and energy input.

The permissionless network has experienced significant growth in 2024 in all major metrics. This can be attributed partially to Rootstock's onboarding and partnership with major protocols such as Sushi and Uniswap. Liquidity's strong proliferation demonstrates the growing demand for Bitcoin-based DeFi applications.

Rootstock employs a unique bridging system called Powpeg to enable the secure transfer of BTC into the Rootstock network as RBTC, and vice versa. This system is managed by specialized nodes known as Powpeg functionaries, which include entities like BlockVenture, Luxor, pNetwork, Collider, RootstockLabs, and Xapo. Rootstock's public roadmap includes several technical upgrades to improve speed, security, and functionality. This innovative roadmap led by Sergio Lerner, RootstockLabs' Chief Scientist and Co-Founder, also selected as one of 50 people influential in Crypto in 2024 by CoinDesk, has been implementing several upgrades such as the development of BitVMX, a trust-minimized bridge between the Bitcoin mainchain and Rootstock sidechain.

Deploying Aave V3 on Rootstock offers a strategic advantage by capitalizing on the growing demand for DeFi applications within the Bitcoin ecosystem. The increasing usage of wrapped Bitcoin on EVM chains serves as a proxy for this latent demand, indicating a desire to utilize Bitcoin-based collateral in DeFi protocols. Rootstock addresses this demand by providing a more decentralized and self-custodial alternative through its native token RBTC, and its underlying infrastructure.

Reasons for Integration:

- Access the Bitcoin-based DeFi through a battle-tested Bitcoin L2:

It has a large ecosystem with 170+ dApps and protocols deployed and a growing TVL. With the growing demand for Bitcoin-based DeFi, Rootstock is well-positioned to capitalize on this market as it is the network with real utility and use cases. Its canonical deployment on Uniswap V3, which got over 40 million votes, demonstrated the rising demand and interest in Rootstock. The combination of Rootstock's features with a widely used protocol is the key to a win-win integration. Strategic integrations with Top tier dApps like Uniswap v3 on Oku, Sushi, Algebra DEXs, Solv Finance, Money on Chain, Symbiosis, Pell Network make Rootstock leading the DeFi ecosystem in the Bitcoin L2 space.

- Advanced Infrastructure :

Rootstock is the most advanced and complete infrastructure ecosystem in the Bitcoin Layer 2 space with Oracles, Indexers, and Developers tools, including Chainlink (Price feeds and CCIP integration by January/February), Redstone Finance, Alchemy, Gelato, The Graph, Goldsky, Bware Labs.

- RBTC, as a Bitcoin-asset collateral:

Rootstock uses RBTC (bridged version of Bitcoin) for transaction fees, avoiding the need for a separate native token. The

Powpeg system handles the transfer of value between Bitcoin and Rootstock, minting and burning RBTC as required. This makes it an ideal collateral for DeFi lending and borrowing. By deploying Aave on Rootstock, Aave can enable users to use RBTC as collateral for loans, which will address demand and diversify options for Bitcoin-backed assets. Rootstock has this ambitious plan to expand RBTC to other chains. RBTC enables the most decentralized, secure, seamless, omnichain access to Bitcoin for DeFi use cases, allowing users to retain Bitcoin's core properties.

- Cross-Chain Interoperability:

Rootstock has been investing in core-infrastructure partnerships, which facilitate the flow of assets between several networks. In the past months, it has announced several Top-tier partnerships like LayerZero, Stargate, LiFi, Jumper Exchange, Symbiosis, ChainPort, Rubic. No other BTC L2 can offer Rootstock trajectory and assets deployed by Stargate.

- GHO Integrated with the Ecosystem:

Rootstock will integrate and support the GHO stablecoin as a key USD stablecoin. By integrating GHO, Rootstock will unlock new opportunities for users to leverage the value of their Bitcoin holdings with rate predictability for users. RootstockLabs plans to bootstrap GHO liquidity in Rootstock's DEXs like Uniswap and Sushi, and also foster users' adoption by distributing incentives in GHO pools.

- Access to Institutions liquidity: RootstockLabs is already actively collaborating with institutional partners to attract and secure institutional capital across the network. Those institutions already showed their interest to use Aave for lending against Bitcoin and this deployment will be strategic to address capital allocation from institutional partners like Crypto banks, Hedge Funds, Liquid Funds and miners.

This active collaboration with institutional investors aims to attract extra deposit commitments to ensure liquidity diversification and high adoption of Aave in Rootstock. Rootstock is able to address institutional demand in the Bitcoin Layer space because it is integrated with Fireblocks and Utila, which ensures access to Rootstock and its ecosystem. In 2025, RootstockLabs team is working to expand institutional-grade partnerships to be consolidated also as the most advanced infrastructure for institutional investors.

Proof of Liquidity and Deposit Commitments

Recognizing the monumental opportunity to unlock and capture an emerging market in the Bitcoin-based DeFi ecosystem, this proposal outlines a robust liquidity and incentive strategy designed to attract and retain users on Rootstock.

- Proof of Liquidity: To ensure a strong start for Aave on Rootstock, RootstockLabs, the core contributor to Rootstock, along with ecosystem and institutional partners, will commit a substantial amount of liquidity to Aave's pools.
- Liquidity Bootstrapping of 500 BTC (approximately $50 million USD).
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- Incentives Distribution: RootstockLabs has partnered with IntoTheBlock to design and develop a liquidity bootstrap plan across the network through incentives distribution, this plan includes Aave. By deploying on Rootstock, we will distribute $750,000.00 in incentives for fostering Aave's adoption across Rootstock network.
- LM Goal:

this program will incentivize liquidity providers in the Bitcoin landscape to actively participate in the Aave's markets on Rootstock, ensuring diversified liquidity in the ecosystem.

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Technical Feasibility

1. Seamless Integration and Compatibility with v3:
2. Rootstock is an EVM-compatible chain, which means Ethereum smart contracts are fully compatible.
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4. Chainlink Integration:
5. RootstockLabs team has received a commitment from Chainlink to get its deployment live by January/February.
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7. The Graph Integration:

8. Rootstock has deployed The Graph functionality on Mainnet, which will be available for Aave's integration.
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10. Development and Testing
11. RootstockLabs will assist Aave's technical team and BDG Labs through its Integration and Support team to ensure a smooth integration.
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13. Security Audits:
14. The RootstockLabs team, in collaboration with Aave's security team, will run audits to ensure that the deployment meets all security requirements.
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Deployment Plan

1. Phase 1: Initial Discussion
2. Gather community feedback through this TEMP CHECK.
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4. Phase 2: Detailed Proposal
5. If the TEMP CHECK indicates positive support, submit a detailed ARFC (Aave Request for Comment) outlining the technical, economic, and security aspects of the integration.
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7. Phase 3: Implementation and Monitoring
8. Upon eventual approval, deploy Aave V3 on Rootstock and monitor the integration closely to address any issues and ensure stability.
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Risks and Mitigations:

1. Technical Challenges:
2. RootstockLabs will work closely with Aave's developers and service providers to address any technical challenges during integration.
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4. Security Risks:
5. A robust security audit will be conducted by Chaos Labs and LlamaRisk in order to identify and mitigate potential risks associated with this proposal and deployment. RootstockLabs will be available to address raised concerns, and support this audit.
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7. Community Adoption:
8. RootstockLabs will activate its community to engage with the Aave community ensuring support and adoption. Also it will work aligned with the Aave community to engage and attract users to Rootstock.
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Call to Action:

We invite the Aave community to express their support or concerns regarding this TEMP CHECK. Your feedback is crucial in determining whether to proceed with a detailed ARFC for the Aave V3 deployment on Rootstock, and will help us ensure that the integration aligns with Aave's goals and community interests.

Useful Links:

Rootstock Concepts: Concepts Overview | Rootstock Developers Portal

Understanding Rootstock by Messari: Understanding Rootstock: A Comprehensive Overview | Messari

State of Rootstock Q3 2024: State of Rootstock Q3 2024 | Messari

RootstockLabs: https://www.rootstocklabs.com/

Aave Documentation: Aave Protocol Overview

Next Steps

1. Publication of TEMP CHECK, collect community & service providers feedback before escalating proposal to TEMP CHECK snapshot stage.
2. If the TEMP CHECK snapshot outcome is YAE, publish an ARFC to continue gathering community and Service Providers feedback.
3. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal.

Disclaimer

The current proposal is powered by Skywards.

ACI (Aave Chan Initiative) is not directly affiliated with Rootstock Network and did not receive compensation related to this proposal.

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