

title: [ARFC] Aave Funding Update

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Summary

This publication proposes updating Aave DAO's stable coin holdings in preparation for the emergence of several service provider proposals. Upon implementation, the DAO will be sufficiently capitalised for the next 6 months.

Motivation

The below outlines the current service provider and delegate nominated expenses.

There is also a maximum [\\$1M USD](#) bounty program with Immunefi to be aware of.

In the near future, Q4 2023 and Q1 2024, we expect new proposals to emerge in the following areas:

- Security (Certora, Sigma)
- Risk (Chaos Labs, Gauntlet)
- Financial Service Providers ([numerous](#))
- Marketing (Aave Companies)
- Delegates (6 teams)
- Liquidity Committee (GLC)

Assuming the DAO continues migrating service providers to GHO and stops using AAVE as a form of payment outside of the SM, the DAO will require additional GHO.

The GHO Stability Module (GSM) is some weeks away from being production ready and this proposal intends to sufficiently capitalise the DAO in preparation for receiving several service provider proposals in the areas mentioned above.

The previous [GHO Funding Proposal](#) is sufficient to cover the following:

- \$375k ACI (6 months)
- \$180k Delegate Funding (6 months)
- \$616k Aave Grants DAO (6 months)
- \$550k Aave Companies (3 months)

Total: \$1,721k GHO

The DAO holds [1,226,040.11 GHO](#) with the [TUSD and BUSD](#) assets still to be swapped to GHO. When these swaps have been executed, there is enough GHO to cover the above expenses but not sufficient to onboard future service providers.

This proposal intends to ensure the DAO is well capitalised. A separate DAO budget publication will be shared during Q4 2023.

The DAO has sufficient USDC, DAI and USDT deposited across the various instances of Aave Protocol to support existing streams and the [AURA purchase](#).

However, with the emergence of new service provider proposal expected, the DAO needs to adjust its stable coin holdings. This publication supports transferring additional funds from Polygon to Mainnet and acquiring GHO on the market to ensure the DAO is well capitalised for the next 6 months.

Security Service Providers

Aave DAO's 2H 2023 Security budget consisted of the last 3 months of Certora's 10 month stream, the last month of

Sigma's 12 month stream and the adhoc Sigma funding proposal for the audit of Governance v3, a.DI and GSM.

- [Certora](#) 10 months Nov 22 to Sep 23 (\$2,700,000 USD equivalent)
- [Sigma](#) 12 months Jul 22 to Jul 23 (\$1,296,000 USD)
- [Sigma](#) Gov v3, a.DI and GSM during Q3 to Q4 2023 (\$162k)

This proposal assumes the DAO will receive a 12 month proposal from Certora and will continue to use Sigma on an adhoc basis.

For the next 6 months, we propose having \$1.5M of funds available for Security service providers. We expect this budget to not include AAVE, and to include DAI and GHO.

Bug Bounty Program

The Aave DAO has a [\\$1M USD](#) bug bounty program with Immunefi. It is important the DAO has sufficient funds available, if ever they are needed.

Risk Service Providers

During 2023, the Risk Service provider budget was \$3.5M nominated in AAVE, aUSDC and aEthUSDT. Going forward we expect this to be nominated in aUSDT and GHO, provided the community aligns with this approach. The most recent Chaos Labs proposal was nominated solely in aEthUSDT and we have received feedback future proposals are to exclude AAVE.

Based upon our discussions, we anticipate the overall risk budget for the next 12 months being approximately \$2.5M assuming both service providers are retained by the DAO.

Voting Service Providers

The current Orbit program has 6 participating delegates. This proposal makes allowance for 6 delegates to continue receiving funding. At \$5k per month, this is 360k of GHO per year.

We note, [@EzR3aL](#) is expected to emerge as a paid delegate and at least one delegate will progress to being a service provider. It is very possible the number of paid delegates decreases over time and if so, the GHO can be reassigned.

Financial Service Providers

A budget of \$400k is proposed for the next 6 months. This is \$50k more than the TokenLogic funding proposal and should be sufficient to encourage other bids to emerge.

** Disclosure: TokenLogic intends to pursue becoming a service provider in this area. Our previous proposal was \$350k spanning 6 months.**

Marketing Service Provider

Currently performed by [@AaveLabs](#) at the rate of 550k per 3 months. The previous 6 month grant period spend approximate [950k USD](#) on events and marketing. The Aave brand and swag is renowned across the industry. There are no proposed changes to the average 500k USD per quarter spend rate.

GHO Liquidity Committee

The GLC is expected to continue beyond the initial 3 months duration. For the purpose of this publication, it is assumed the GLC will require similar funding during the next 3 month funding cycle.

\$450k in GHO has been allocated to this initiative which is \$50k more than the current funding rate.

Growth Service Provider

The ACI team with \$375k GHO. Supported by existing GHO holdings.

Development Service Provider

The [@bgdlabs](#) team with <2k AAVE and <630k aEthDAI remaining on the current 6 month stream. Supported by existing DAI on Aave v3 Ethereum holdings.

Aave Grants DAO Service Provider

The AGD team is currently funded with the 616k GHO, 612k aUSDT and \$400k in ARB for the next 6 months. Supported by existing GHO and aUSDT (v2) holdings.

Safety Module

Expenses relating to the Safety Module (SM) have been omitted. Currently, the SM is funded with AAVE emissions. If the DAO was to upgrade the SM in the near future, it is unclear if that will happen within the next 6 months. As a result, any bribe / quest funding request will be managed separately.

Funding

Over the next 6 months, the DAO should be sufficiently well capitalised to accommodate the emergence of the following expenses:

- \$1.5M - Security (6 months)
- \$1.25M - Risk (6 months)
- \$1.0M - Bug Bounty (unknown)
- \$0.5M - Marketing (3 months)
- \$0.4M - Financial Services (6 months)
- \$0.45M - GHO Liquidity Committee (3 months)

Total: 5.1M USD

All Financial Services, Marketing and Liquidity Committee expenses are to be nominated in GHO.

Risk and Security allocation can be nominated in any of the following aEthDAI or aETHUSDT or GHO. A separate proposal can adjust the asset composition if any amendments are required. Alternatively, the future GLC proposal can swap assets to GHO upon being renewed.

There is 1.5M of DAI already being transferred from [PR339 - Polygon to Ethereum](#). 1M of this can be deposited into Aave v3, the aDAI on Aave v2 can be redeemed and deposited into v3 and net BGD stream allocation is 1.34M aEthDAI. An additional 0.5M can be transferred from Polygon to Ethereum increasing the overall aEthDAI holding to 1.84M aEthDAI for future expenses.

The ACI aUSDT stream is now complete and only the AGD allowance, 613k, remains. Therefore, of the 1.03M of aUSDT in Aave v2, leaving 0.7M for AGD to draw down 0.613M from, 0.33M (at time of writing) can be migrated to Aave v3. There is 0.4M aEthUSDT in Aave v3 with 0.23M aEthUSDT allocated to Chaos Labs. Net transfer of aUSDT and unallocated aEthUSDT is 0.50M aEthUSDT. Transfer 0.75M of USDT from Polygon to Ethereum increases the available USDT on Ethereum to 1.25M aEthUSDT.

An additional 1.0M USDC from Polygon is to be transferred to Ethereum to ensure the Immunefi bug bounty program has sufficient funds available if required.

Additional funds will be required to cover the full amount of expenses mentioned above. This proposal will start moving Aave in the right direction.

Specification

This proposal will perform the following tasks on Ethereum:

- Deposit 1M units of DAI from Treasury into Aave v3, aEthDAI
- Migrate all but 0.7M aUSDT from Aave v2 to v3, aEthUSDT (0.33M units at time of writing)
- Migrate all aDAI from Aave v2 to v3, aEthDAI (470k units at time of writing)

Swap the following asset holdings to GHO:

- All Aave ARC aUSDC (56,843.44 units at time of writing)
- All GUSD (18,464.03 units at time of writing)

- All available aTUSD that can be redeemed (57,373.85 units at time of writing)
- All UST (893,257.63 units at time of writing)
- 500k units of DAI held in Treasury (on route from Polygon)

Bridge the following assets from Polygon to Ethereum:

- Redeem and transfer 1.7M USDC to Ethereum Treasury
- Redeem and transfer 0.5M DAI to Ethereum Treasury
- Redeem and transfer 0.75M USDT to Ethereum Treasury

The USDC bridged from Polygon can neither be swapped nor deposited into Aave v3 in a single AIP submission. A second AIP will perform the following:

- Deposit 0.5M DAI into Aave v3
- Deposit 0.75M USDT into Aave v3
- Deposit 1.0M USDC into Aave v3
- Swap 700k USDC to GHO

Upon implementing the second AIP, the following funds will be available to support new expenses:

- More than 1.25M of aEthUSDT (Migration v2 to v3, Polygon Transfer, Net Chaos Labs stream)
- More than 1.8M of aEthDAI (Migration v2 to v3, Deposit, Polygon Transfer, Net BGD Stream)
- More than 1.5M of GHO (Swap assets to GHO, net current known expenses)
- More than 1.0M of aEthUSDC (Polygon Transfer)

The above takes into consideration current streaming contract obligations and proposals already advancing through governance.

Next Steps

1. If consensus on ARFC stage is reached, escalate to ARFC snapshot stage.
2. If ARFC snapshot stage outcome is YAE, escalate to AIP stage.

Whilst we advocate for having 12 months on runway readily available in the right asset configuration. The priority is to ensure the DAO is sufficiently capitalised for the next 6 months.

As mentioned within the proposal, during Q4 2023, a publication relating to the DAOs overall budget allocation will be shared.

Disclosure

TokenLogic receives no compensation beyond Aave protocol for the creation of this proposal. TokenLogic is a delegate within the Aave ecosystem.

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