

Summary

This Temp Check proposes implementing the dedicated GHO Steward as a dynamic parameter change mechanism to ensure efficient risk management and support the peg of Aave Protocol's native multi-collateral stablecoin GHO during the initial stages.

Introduction

As the Aave DAO prepares for the introduction of GHO, it is crucial for the community to consider implementing a mechanism that offers greater agility to adjust risk parameters in the initial stages of launch.

To support the maintenance of the peg, the proposed GHO Steward multisig acts as a dynamic parameter change mechanism. It enables swift adjustments to risk parameters, in the form of scoped governance delegation, where the full governance process could potentially be time-consuming and hinder timely response to evolving circumstances.

By employing this mechanism, the Aave Protocol ensures transparency and enables flexible parameter changes through decentralized governance. This approach reinforces commitment to preserving the peg and effectively addressing market challenges that may arise upon the launch of GHO.

Key Terms

The "bucket capacity" refers to the maximum amount of GHO that can be minted by a Facilitator. The ability to adapt the bucket capacity by adjusting supply, supports stability by ensuring that available supply meets demand.

The "borrow rate" refers to the interest rate paid when borrowing GHO. The borrowing rate may also be used to support stability because of its impact on demand.

You can learn more about GHO in the docs [here](#).

GHO Steward Permissions

Aave V3 provides a high level of granularity around permissions. Building on the concept of [Risk Stewards](#), it is proposed that a dedicated GHO Steward multisig be introduced to support the initial GHO governance risk mechanism to be able to implement agile parameter changes in the form of scoped governance delegation.

The GHO Steward multisig would be 2/2 and would include the DAO's risk providers Chaos Labs and Gauntlet.

The GHO Steward would be capable of adjusting predefined parameters, including: increasing the bucket capacity (by up to 100%) and changing the borrow rate (by up to 50 basis points in either direction) in a single change. Parameter updates could only occur once every 5 days per the parameter.

It is proposed that the GHO Steward would be deactivated 60 days after the passing of this proposal. However, the DAO can vote to renew the GHO Steward for another 60 days if deemed necessary. The DAO can also vote to remove the GHO Stewards at any time.

Governance Process

This proposal emphasizes the importance of decentralization and community involvement in the decision-making process, fostering a robust and inclusive ecosystem. The GHO Risk Steward would enable agile parameter changes for GHO; however, decisions shouldn't be made in isolation and should go through a lean governance process.

The proposed lean process is as follows:

1. Proposal on the Governance Forum explaining the rationale of the proposed action.
2. Snapshot requirements:
 - a) 24-hour duration starting from the posting of the proposal.
 - b) Quorum 250,000 AAVE.
 - c) A minimum of 70% of votes FOR the change.
 1. Change can be enacted as soon as the proposal passes Snapshot.

Conclusion

In conclusion, the GHO Steward serves as an initial agile parameter change mechanism driven by decentralized governance. It highlights the Aave Protocol's commitment to maintaining GHO stability and addressing market challenges during the launch period.

While the proposal acknowledges the potential for a more dynamic rate-changing governance model in the future, the current framework allows the DAO to effectively manage GHO's parameters in the short term.