

Aave protocol is a blue-chip DeFi project and a huge brand in the new decentralized finance world. No doubt, the protocol will continue to become more valuable over time. However, has anyone noticed that AAVE token itself had not performed quite so well

(along with the rest of DeFi governance tokens like COMP, MKR, UNI). It has underperformed against ETH since Feb 2021 and since May 2021 token price had been stuck in a downtrend.

I think a key reason is that AAVE tokens failed to capture the massive amounts of value of the protocol. Can we design some incentives/utility for the AAVE tokens besides governance?

There needs to be an incentive to hold the tokens.

For example, a fees-reduction program for the protocol. If you hold X number of AAVE, you will pay less gas fees per transaction or pay less interest to borrow. Another would be if you hold X number of AAVE, you get additional 0.5% interest in deposits, paid out in StkAave or Aave, similar to a liquidity mining program. Lastly, a token burning mechanism that burns the revenue generated from the protocol, effectively reducing the token supplies and making the remaining tokens more valuable over time.

The AAVE token keeps losing value is not just a financial issue, it is a governance issue.

Token governance is work, in an ideal world, compensated for by the appreciation of governance token over time. If the token keeps losing value, there is going to be less interest in governance and therefore the protocol cannot keep improving and innovating.

DeFi is all about financial innovation. Let's do what we do best and keep innovating. Please consider what I said above and let's get a discussion going. Open for all sorts of suggestions.

Thanks yall.