[TEMP CHECK] Add rsETH to Aave V3 Ethereum

Author: Kelp DAO & ACI (Aave Chan Initiative)

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Summary

Kelp DAO is seeking community support for adding its Liquid Restaking Token, rsETH, to Aave V3 on Ethereum. In addition, rsETH depositors into Aave will accumulate additional Kelp miles and EigenLayer points.

Motivation

KelpDAO

(Liquid restaking | Restake ETH or LSTs, mint rsETH and earn Kelp Miles) is one of the largest liquid restaking protocol built on top of the Eigen Layer. Restakers on Kelp get access to multiple benefits like restaking rewards, staking rewards and DeFi yields.

Latest stats

:

- USD 470 Mn+ (~168k Eth) TVL
- 18K restakers onboarded
- Accepts ETHx, stETH and sfrxETH and Native ETH as collateral
- Live across mainnet and L2s such as Arbitrum and Polygon zkEVM

KelpDAO has undergone multiple security audits by top tier audit firms including Sigma Prime, Code4rena. More about KelpDAO's security here: Kelp DAO Audit reports.

The motivation for this proposal is to introduce a new asset class LRT (Liquid restaking tokens) to Aave and add to the diversity of LST/ LRT category.

Restaking Innovation

KelpDAO's innovation in the restaking ecosystem has been focused on bringing about the following benefits to users and services-

- Restakers
- Liqudity for restaked assets (stETH, ETHx, sfrxETH and Native ETH)
- Access to additional staking rewards
- Participate in DeFi using rsETH
- Liqudity for restaked assets (stETH, ETHx, sfrxETH and Native ETH)
- Access to additional staking rewards
- Participate in DeFi using rsETH
- AVSs
- Bootstrap economic security
- Lowered incentive spends
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- Lowered incentive spends
- Operators
- Higher revenue earning potential
- Service onboarding and community support

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Specification

Detailed explanation on Kelp's technical architecture - Technical Architecture - Kelp

KelpDAO will have its own token $Kelp that will be the main governance token of Kelp protocol. Kelp token holders will be able to participate in governance related matters including Whitelisting/ delisting of Assets, Node operators, AVS', setting and updating fees for Kelp protocol.

Kelp's on-chain stats can be viewed on Dune.

Liquidity Pools for rsETH

Following are liquidity stats for rsETH:

- rsETH has >12 Mn USD liquidity across several DEXs on mainnet including
- Balancer - $4 Mn
- Curve - $4 Mn
- Uniswap V3 - $3.2 Mn
- Maverick - $0.9 Mn
- Balancer - $4 Mn
- Curve - $4 Mn
- Uniswap V3 - $3.2 Mn
- Maverick - $0.9 Mn
- $3.5 Mn average daily trading volume (Last 7 days on 17th Feb)

rsETH exchange rate mechanism:

Exchange rate is calculated basis the formula:

rseth / eth = [(asset amount in protocol * asset price in ETH)rsETH total supply]

rsEth relies on multiple contract exchange rates for:

1. stEth: As this is a rebasing token, the balance of stETH changes over time and the asset price is taken as 1stETH = 1 ETH.
2. ETHx: Asset price is taken from getExchangeRate( ) method in - Stader Labs: Staking Pool Manager | Address 0xcf5EA1b38380f6aF39068375516Daf40Ed70D299 | Etherscan
3. Sfrxeth: Asset price is taken from pricePerShare( ) method in - $3,152.97 | Staked Frax Ether (sfrxETH) Token Tracker | Etherscan

Withdrawals and risks

As of today, the only way to exit rsETH is via DEXs. KelpDAO is going to enable withdrawals by mid-March 2024 after which users can withdraw Eth or any LSTs via KelpDAO dapp.

Proof of Liquidity and Deposit Commitments:

Anyone who deposits rsETH into Aave will accumulate additionalKelp miles and EigenLayer points.

Useful Links:

- KelpDAO's Dapp

- Contract Address: 0xA1290d69c65A6Fe4DF752f95823fae25cB99e5A7
- Github Docs

Disclaimer:

This proposal is powered by Skywards. The Aave Chan Initiative is not directly affiliated with Kelp DAO and did not receive compensation for creation this proposal.

Next Steps

1. If consensus is reached on this [TEMP CHECK], escalate this proposal to the Snapshot stage.
2. If the Snapshot outcome is YAE, this proposal will be escalated to ARFC stage
3. Publication of a standard ARFC, collect community & service providers feedback before escalating proposal to ARFC snapshot stage
4. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal

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