We would like to submit a proposal to onboard Empty Set Dollar ("ESD").

ESD Summary:

ESD is an algorithmic stablecoin.

ESD leverages supply expansions and contractions to stabilize the price of ESD around $1. All supply adjustments (rebases) are incentivized, voluntary, and facilitated entirely on-chain.

ESD avoids the centralization risks found in USDC/USDT and can potentially scale easier than overcollateralized stablecoins such as DAI/sUSD.

With a market cap of $296MM, ESD is now one of the top 10 largest stablecoins. The liquidity profile, token distribution, and price discovery have improved significantly over the past 2 months (see below for details).

For details on the coupon system, rebasing, and broader mechanics, see below for additional links.

Aave x ESD:

Currently, ESD is not supported on any DeFi money market protocol. ESD can bring significant supply and borrow volume to Aave.

After analyzing on-chain activity, it is clear many market participants are speculating on the ESD peg by buying/selling ESD and participating in the protocol's coupon system.

Adding ESD to Aave would enable traders to take directional views on the price of ESD. When ESD is below $1, traders can post ESD as collateral on Aave, borrow another stablecoin, and purchase additional ESD, effectively opening a leveraged long position. When ESD is above $1, traders can post an asset of their choice as collateral and borrow ESD, effectively opening a short position on ESD.

This activity is crucial for price stabilization and is commonly seen in other stablecoin markets including DAI.

As integrations and awareness for ESD improve, ESD can be used as a medium of exchange and potentially become the defacto stablecoin for DeFi. Aave is well positioned to capture the upside of this growth by being one of the first DeFi applications to integrate ESD with the appropriate risk parameters and guardrails.

In regards to composability, ESD is a standard ERC-20 token and removes the rebasing hurdles typically found in tokens such as AMPL.

Liquidity and Volume:

Currently, ESD is primarily traded on the ESD-USDC on Uniswap. Curve is also in the process of integrating ESD after the community voted in favor of creating a metapool for ESD. This should help significantly improve the liquidity profile of ESD given Curve's inherent efficiency for trading stablecoins.

Uniswap ESD-USDC

Uniswap liquidity currently stands at $78.5MM, recently crossing a new ATH of $95.4MM earlier this week. The pool liquidity has increased by more than 100x over the past 2 months. Trailing 30-day average trading volumes stand at $5.2MM with a high of $15.7MM on 12/8/20.

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ESD DAO Distribution

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Audit History:

ESD was audited by Certik in November 2020.

Additional Links:

- Documentation

- Codebase

- ESD Dune Analytics

- Governance forum

We would like to gauge the Aave community for feedback.