Sentence Rational

I would like to propose AAVEngers to support the listing of UMA Token as an asset to be used as collateral on AAVE v2/v3.

References

Link to:

- Project - https://umaproject.org/

- Whitepaper - GitHub - UMAprotocol/whitepaper

- Doc site - https://docs.umaproject.org/

- Github - UMA · GitHub

- Ethereum addresses contracts - [$27.4800

| UMA Voting Token v1 (UMA) Token Tracker | Etherscan]
(https://etherscan.io/token/0x04Fa0d235C4abf4BcF4787aF4CF447DE572eF828)

- Chainlink Oracle - UMA / ETH 0xf817B69EA583CAFF291E287CaE00Ea329d22765C

- Audits both procedural and smart contract focused

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https://blog.openzeppelin.com/uma-audit-phase-1/

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Uma Audit – Phase 2 – OpenZeppelin blog

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https://blog.openzeppelin.com/uma-audit-phase-3/

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[UMA

audit

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Phase

4

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OpenZeppelin

blog](https://blog.openzeppelin.com/uma-audit-phase-4/)

- Communities

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- https://discourse.umaproject.org/

- UMA

- https://discourse.umaproject.org/

- UMA

Paragraph Summary

UMA is a popular and essential asset for securing contracts that use UMA Protocol. It is not currently possible to be utilized as collateral on Aave to obtain other assets.

UMA Protocol is a community-led optimistic oracle that enables anyone to obtain a price on anything. UMA's Optimistic Oracle enables a suite of products such as [KPI Options](), cross-chain bridges such as [Across](), [Range tokens](), [Success Tokens]() and [Call/Put Options]().

View [here]() for a complete list of contracts launched on UMA.

UMA protocol has a current TVL of $100.3 million. AAVE will obtain a first mover advantage for enabling users to borrow against their UMA tokens. This proposal is to add UMA token as an asset on AAVE v2/v3 for users to use as collateral. Note - this proposal does not include adding UMA token as an asset for users to borrow.

Motivation

This enables UMA tokenholders to collateralize their UMA tokens to gain exposure to other assets (e.g. ETH or USDC) and use funds obtained from loans on Aave to operate UMA protocol and increase their ability to provide price data to UMA's optimistic oracle.

Being able to use UMA as collateral to obtain more capital helps secure the value locked on UMA. Disputers on UMA could have a credit line against UMA tokens in the event they needs to perform very large liquidations but do not have the non-UMA capital on hand to do so. Borrowing is a clean operational approach to obtaining capital and securing the value locked on UMA.

Specifications

1. What is the link between the author of the AIP and the Asset?

I work for Risk Labs, an entity underneath the UMA Foundation.

1. Provide a brief high-level overview of the project and the token

UMA token is used to operate UMA's optimistic oracle. Owning UMA gives you the ability to contribute price information to UMA's Optimistic Oracle and govern UMA protocol (and receive rewards for doing so).

About UMA Protocol

UMA is an open-source protocol that provides the infrastructure for developers to create and manage decentralized financial products that anyone can use, no matter where they live.

UMA enables developers to create decentralized financial contracts via two core components:

- [Priceless financial contract templates]()

- [Optimistic oracle service]()

Together, these two components enable the creation of fast, efficient, and secure decentralized financial products

UMA's goal is in its name; Universal Market Access. UMA contracts are self-governing and secured by UMA's optimistic oracle.

1. Explain positioning of token in the AAVE ecosystem. Why would it be a good borrow or collateral asset?

UMA's presence on AAVE would provide additional TVL to AAVE and an opportunity to earn additional fees as UMA holders would be able to come to AAVE to collateralize their assets.

UMA is a community-led protocol that enables anyone to easily create secure derivative products on Ethereum. UMA protocol has a current TVL of around $100.3 million.

1. Provide a brief history of the project and how it overcame stressed conditions

UMA currently secures around $85 million of money in contracts built ontop of UMA. UMA has never been compromised and is designed in a way that is very secure by minimizing oracle usage and ensuring the cost to corrupt UMA is always greater than the amount of money that can be stolen from it. View below for more information on the economic guarantees UMA provides for contracts built on top of it.

[docs.umaproject.org]()

[How UMA solves the Oracle Problem | UMA Docs]()

The DVM embraces the fact that any on-chain oracle can be corrupted — for a price.

1. How is the asset currently used?

UMA token is used to operate UMA's optimistic oracle, known as the Data Verification Mechanism (DVM). Owning UMA

gives you the ability to contribute price information to the DVM and govern UMA protocol.

The benefits of owning UMA include:

- Earning rewards for voting on price requests from financial contracts using the DVM

- Earning rewards for governing the UMA ecosystem by voting on parameter changes and approving system upgrades. System upgrades can include supporting new price identifiers or collateral types

Voters who participate and vote correctly earn an inflationary reward (currently 0.05% of total network token supply), distributed pro-rata by stake.

1. Emission schedule - UMA Token Release & Treasury Update | by Hart Lambur | UMA Project | Jan, 2021 | Medium

2. Token permissions and upgradability - UMA is governed by UMA tokenholders. All upgrades / changes are voted on by UMA tokenholders. Votes are aggregated by UMA's Data Verification Mechanism (DVM) whereby it will then implement the proposed changes (if applicable).

3. Market data (Market Cap, 24h Volume, Volatility, Exchanges, Maturity)

UMA has a market cap of $1,024,092,720 and is listed on major decentralized and centralized exchanges (Coinbase, Binance, Gemini, OKEx, Huobi, etc.,). The 24-hour volume on coinbase is over $63 million. View more here: UMA price today, chart, market cap & news | CoinGecko

UMA is also included as an asset in Grayscale's Defi Index and Bitwise's Index fund

1. Social channels data (Size of communities, activity on Github)

2. Discord users - 11,058

3. Twitter followers - 46,600

4. Github - top 10 project by defi activity

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https://twitter.com/santimentfeed/status/1357529113158967298

1. Contracts date of deployments, number of transactions, number of holders for tokens

Risk Assessment

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2066×328 116 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/4/4e10c59659cec8b9b5d94c0d8fe8f8334a13c3ce.png)

UMA is an optimistic oracle that uses economic guarantees to secure markets. Unlike mechanically restrictive price feed oracles, an optimistic oracle is able to serve any arbitrary data on-chain. UMA's flexible oracle serves data for uses including a cross-chain bridge, insurance, custom derivatives and prediction markets among other things.

The UMA Protocol also provides various smart contract templates that are automatically secured by its optimistic oracle. Among these are contract templates and integrations for creating synthetic tokens, predictions markets, "KPI options" and structured financial products.

The UMA governance token is used to operate UMA's dispute resolution system, known as the Data Verification Mechanism (DVM). Owning UMA gives you the ability to contribute price information to the DVM and contribute to UMA protocol governance decisions.

The benefits of owning UMA include:

1. Earning rewards for voting on price requests from financial contracts using the DVM

2. Earning rewards for governing the UMA ecosystem by voting on parameter changes and approving system upgrades

3. System upgrades can include supporting new price identifiers or collateral types

Voters who participate and vote correctly earn an inflationary reward (currently 0.05% of total network token supply), distributed pro-rata by stake.

[UMA Voting Contract v1](#) Risk: B

UMA was launched just under two years ago. Since launch the platform has expanded to 100's of price feeds supporting yield dollars, KPI options and a variety of success tokens. The UMA community has also expanded and is supported by the new SuperUman DAO whose mission is to to communicate the true power of universal access to markets and its benefits to the world. Over that period, the platform has approved over 226 price identifiers and 101 collateral currencies all supported by the UMA optimistic oracle and powered by the UMA governance token.

UMA Counterparty Risk: B

UMA is a permissionless protocol where token holders vote on price requests, governance and system upgrades. Anyone can propose new UMIPs to expand and improve the financial products supported by UMA.

[UMA Market](#) Risk: B

UMA has a good market capitalization with a high volume. The price volatility is relatively low given the utility of the voting token.

Risk Parameters

LTV 55%

Liquidation Threshold 65%

Liquidation Bonus 15%

Reserve Factor 35%

Technical Specifications

Add UMA token as a collateral currency on AAVE.

- Token address: 0x04Fa0d235C4abf4BcF4787aF4CF447DE572eF828

- [$27.4800

| UMA Voting Token v1 (UMA) Token Tracker | Etherscan]
(https://etherscan.io/token/0x04Fa0d235C4abf4BcF4787aF4CF447DE572eF828)

Security Considerations

A security concern to consider is that someone could use Aave to attempt to obtain 51% or more of the UMA tokens to corrupt a vote and extract value from UMA. As a result of this we propose to only add UMA as a collateral asset whereby borrowers cannot borrow UMA tokens with UMA as collateral.

If you support UMA on AAVE I'd love for supporters to delegate some proposal power with their Aave or even better stkAAVE to this address:

0x7FF96F5f4B8E15B898a50933A7518ad6e1032600

- Approve

- Reject

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voters