

This Proposal is on hold until 2024 to collect feedback, Feel free to post constructive comments to help craft a better version of the proposal.

[ARFC] Flashloans Update

Title:

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Summary

This ARFC proposes to disable all flashloans on Aave V2 and reserve V3 flashloans exclusively for governance-enabled entities.

Motivation

In continuation of the plan for deprecating the Aave v2 protocol, and the fact that flashloans are not a significant part of Aave DAO's revenue, this proposal aims to disable V2 Flashloans & restrict the use of V3 flashloans to only governance-enabled entities.

Flashloans, despite clear benefits, have further seen their attractiveness diminish as other actors in the ecosystem have replicated the Aave feature and decided not to charge any fee for it. This has made Aave Flashloans less appealing except in situations where the sizable liquidity in Aave makes it the only viable option. However, even when that's the case, some actors have started circumventing the direct flashloan to avoid the fee by flashborrowing on other venues for free and using that on collateral on Aave, then borrowing and repaying in the same transaction, bypassing the flashloan fees.

Considering this, the ACI views flashloans as a potent tool, and the substantial liquidity of Aave makes it competitive. So instead of extracting minimal revenue from it, we advocate for a shift in strategy and propose reserving flashloans for governance-enabled actors. These actors will be selected through governance.

This will offer a competitive advantage to Aave DAO's close partners and strengthen our relationship with protocols that prioritize Aave. It is a shift in strategy that aims to increase the utility and value of Aave's sizable liquidity.

Changing the approach to flashLoans protocol-wise also allows significant gas-optimizations for this feature, making them more optimized and less costly for governance-enabled partners at the benefit of their end-users.

This change will enable Aave DAO's close partners to gain a competitive edge and reinforce our relationships with protocols prioritizing Aave.

Specification

To implement these changes, the following initial actors are suggested for the flashBorrowers whitelist:

- Avara-run Aave Frontend application: available at app.aave.com. This application is utilized for debt, collateral, withdraw switch features, and any other feature leveraging flashloans.
- [DefiSaver](#): DefiSaver is one of the earliest protocols to integrate Aave, having done so since 2020. It provides automated management of digital assets for its users, thus making it a suitable candidate for the whitelist.

These entities were selected based on their longstanding relationship with Aave and their responsible usage of flashloans in the past. The governance process will decide on additional entities to be added to the whitelist in the future.

The implementation of this AIP will be a joint effort from the ACI & Avara.

Useful Links:

[Flash Loans FAQ](#)

[Developers Documentation](#)

[News on Flashloans](#)

Next Steps

1. Collect community feedback on this ARFC
2. Escalate this proposal to Snapshot vote
3. If Snapshot vote outcome is YAE, Escalate to AIP vote.

Disclaimer

This proposal is made independently by the ACI with inputs from Avara.

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