

[ARFC] Increase Borrow Slope1 to all Stablecoins across all Aave Instances

Author: ACI

Date: 2024-11-29

Summary

This proposal recommends increasing the borrow slope1

parameter for stablecoins across all Aave V3 Instances to 9.5%

. This adjustment aims to align interest rate models with the updated Stable Debt Reserve (SDR)

strategy, promoting sustainability, better risk management, and optimal utilization of the protocol's resources.

Motivation

The current market environment presents a unique opportunity to optimize Aave's interest rate parameters. With the introduction of sUSDe as E-Mode collateral and general market sentiment leading to higher desire for borrowing, we are seeing significantly higher utilisation in the stablecoin market. This adjustment to the borrow slope1 will better align Aave's interest rates with prevailing market conditions, potentially leading to:

- Increased protocol revenue through better rate optimization
- Enhanced capital efficiency by maintaining competitive lending rates at lower volatility.

Additionally, this change will ensure appropriate risk compensation for stablecoin lenders.

Specification

Proposed Change

Increase the borrow slope1

parameter for all Stablecoin assets on Aave V3 Instances from its current value to 9.5%.

This will be implemented as a Direct-to-AIP proposal.

Disclaimer

This proposal is directly powered by ACI (Aave Chan Initiative). ACI did not received compensation for creation of this proposal.

Next Steps

1. If consensus is reached on this ARFC, publish an AIP vote for final confirmation and enforcement of the proposal

Copyright

Copyright and related rights waived via [CC0](https://creativecommons.org/licenses/by/4.0/).