

# Title: TEMP CHECK: AAVE diversification - Fyde Treasury Protocol

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Date: 2023-02-21

## Summary

AAVE is live on Fyde Treasury protocol, allowing for users to seamlessly diversify concentrated positions without direct token sales.

Large positions in native tokens held by Treasuries and individuals are notoriously difficult to diversify. Sales of native tokens (e.g. AAVE), often necessary for operational expenses, can cause large price impacts. As a result, treasuries and individuals can struggle to accrue the value created during positive market conditions.

Fyde Treasury Protocol now supports AAVE within its Liquid vault. Diversification through Fyde allows for an increase in the resilience of concentrated positions to adverse market conditions by providing broad market exposure through a Liquid Vault. Secondary benefits include increased AAVE liquidity through new trading pairs and institutional liquidity support.

## Motivation

Fyde is a DeFi protocol designed to upgrade and simplify the crypto treasury management process for DAOs and protocols, enabling long-term and sustainable growth.

Fyde Treasury Protocol has created a diversified liquid vault that can be accessed via a depositor's native token, allowing instant exposure to a whitelisted basket of tokens. Tokens must pass strict checks before they're allowed into the liquid vault, including market cap and liquidity filters, security audit and founder checks, oracle validations (to prevent price manipulation), and more.

The protocol enables proxy governance by allowing founders, investors, treasuries, and community members to preserve governance rights on deposited assets. These features allow users to diversify concentrated token positions and treasuries to optimize operating runway without exposing themselves to governance attacks and related risks.

AAVE is a blue-chip DeFi token that we are excited to include in our Liquid Vault. We look forward to working alongside the Aave Community to explore how we can assist with diversification!

## Specification:

Fyde is set up to serve the Aave Treasury, community and core members by providing the option of diversification without selling out of AAVE positions. If there is a positive response to this Temp Check we will submit an RFC which will present an option for the Aave Treasury to run a Pilot programme with Fyde to increase its diversification and exposure to the broader crypto market.

### Liquid Vault Performance

Fyde launched the TRSY token on 27/11/23 where the value was \$1/ TRSY. Less than 2 months later the value of the assets backing the TRSY token has risen 27.5% (20/02/24) allowing depositors to realize gains or maintain their deposits.

Over the same time frame, AAVE has risen by 2.5%

### Benefits:

- Diversification: Fyde enables Aave treasury / community / whales to diversify holdings without market impact, reducing reliance on AAVE and enhancing overall resilience.
- No one knows which market segment will outperform. Last cycle, metaverse outperformed DeFi by 30x! This allows users to capture all different avenues of potential outperformance across the crypto space
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- Liquidity: Depositing AAVE into Fyde's Liquid Vault increases liquidity and trading volume across DEXs/CEXs through new pairs.
- Governance Rights: Depositors retain governance rights over deposited assets, preserving voting power within the Aave community.
- Distribution: Tokens included in the Fyde Liquid Vault benefit from 40+ new direct trading pairs as tokens can be

swapped without routing through WETH/ USDT

- No Lock-ups: Deposits are non-custodial and can be withdrawn instantly, providing flexibility to AAVE depositors.

Considerations:

- Limited Day 1 Liquidity: Fyde plans to implement TRSY LP token buyback programs to facilitate liquidity. Initial DEX liquidity for TRSY may be limited until these measures are enacted.
- Execution Size: Due to Fyde's recent launch, large deposit sizes may not be accommodated initially.
- Exchange Rate Risk: Withdrawn amounts of AAVE are subject to prevailing exchange rates between AAVE and TRSY.
- Short-Term Performance: AAVE may outperform TRSY at varying parts of the market cycle.

Receive FYDE points on AAVE deposits

Fyde is a new protocol that builds alongside communities behind supported tokens. We are encouraging early depositors to engage with our protocol by distributing FYDE points (airdrop in Q2/24). Points are calculated by the duration and size of deposits.

1. Visit: <https://app.fyde.fi/>
2. Select AAVE for deposits
  1. Toggle "Retain governance" if you choose
  2. Receive TRSY
  3. Stake TRSY to start earning FYDE points

Note: All deposits remain fully liquid and can be withdrawn at any time.

Fyde Escrow: For larger deposits (\$20k+) we recommend using [Fyde](#) where deposits are not affected by current concentration limits.

Fees

We charge 1% per year for this service, which is taken continuously over time. That means, for example, if AAVE depositors decide to withdraw from the liquid vault in 3 months, then the total fee will be 0.25%.

## Disclaimer

This TEMP CHECK is presented on behalf of Fyde Treasury Protocol.

## Next Steps

1. If the Aave community responds positively we will escalate this proposal to the Snapshot stage with additional details around our Pilot Programme
2. If the Snapshot proposal is a YAE we will move forward and manage a small % of the Aave treasury through our Liquid Vault

## Feedback

We invite core Aave members and whales to contact us personally should they wish to deposit large amounts or have direct communication with our team via telegram.

Our goal is to optimize the design of our protocol and integrate feedback received from the Aave community. In other words, we want to build our protocol to help Aave and its community as best we can.

## About Fyde:

Website: <https://www.fyde.fi/>

Twitter: <https://twitter.com/FydeTreasury>

Gitbook: <https://fydetreasury.github.io/fyde-docs/>

## Team:

Traders and portfolio managers from JP Morgan CIO and Equities, PhDs and Research Professors from NASA, Stanford, UCLA, Cambridge; Core devs from Synthetix, Ocean Protocol, Bloomberg, and Wintermute.

## Contacts

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