

Idea: Give depositors the choice to disable lending of the assets they deposit on aave

Context:

The current state of things on aave is that deposits are automatically made available for lending. (for the assets that are accepted as collateral). I believe that for certain assets, especially for wBTC and ETH, users are not depositing on aave to lend out their assets, but only for the ability to borrow against them. For example, the deposit APY on aave for wBTC is of 0.06%, so it seems very unlikely that users are depositing their wBTC on aave in the goal to gain that 0.06% APY. For those users, the fact that their bitcoin is available for lending or actively being lent out might represent additional risk that they do not want to take on. The deposit APY on wBTC is probably also artificially low on wBTC because all depositors are automatically having their wBTC made available for lending.

Possible positive effects:

It's possible that removing this risk for users that do not want to take it would drive higher demand for borrowing on aave with BTC or ETH collateral.

If most depositors chose not to enable lending unless the deposit rate is below 1% APY for example, this could push up the deposit APY to a rate more reasonable like 1% and create a new market for people that actually just want to lend out their bitcoin, not borrow against it.

Fundamentally, I also believe it makes sense to give depositors the choice to control what happens with their assets.

What do people think about this?