title:[TEMP CHECK] Safety Module Upgrade Part V - veToken Holding Management Framework

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Summary

This directional publication presents an opportunity for the community to elect a voting committee and define a framework to manage the DAO's strategic assets holdings.

Abstract

This publication presents the community with the opportunity to introduce a voting framework & committee that will conduct votes on veToken and other strategic assets holdings on Aave DAO's behalf. There are several types of votes in other communities which are high context and time sensitive that can not be automated.

Aave would benefit from optimizing these resources in the most efficient way (i.e: Avoid Curve & Balancer gauges votes weekly on the Aave snapshot and/or management by AIP), and this publication presents the community with an opportunity to establish a voting framework and electing a voting committee.

How the committee is to vote wouldl be determined by an overall global strategy that is agreed/voted upon, by Aave governance.

Rationale:

As a reminder, veBAL positions offer the following benefits:

- Gauge-weight Power: Voting power which influences emissions on the gauges.

- Governance Power: Voting power in the DAO proposals

- veBoost: Holding veBAL earns a boost up to 2.5x on the liquidity provided.

- Protocol Fees: Part of the trading fees sold for bb-a-USD and claimable by lockers.

This proposal assumes that the veBAL position will be locked from the collector contract, and aims to define how these benefits should be managed.

Managing strategic assets on Collector Contract

Most of the strategic assets are held on the Reserve Factor Mainnet, which is also where the treasury strategies will be deployed, so it makes sense to focus the whitelist proposals on this contract: 0x464C71f6c2F760DdA6093dCB91C24c39e5d6e18c

(which is the same for v2 and v3).

However, DAO process are changing from one project to another, which can create incompatibilities:

- Aave Governance is fully on-chain and only focused on protocols decisions, requiring most proposal to be approved by an AIP (which usually takes more than 1 week to be implemented)

- Balancer Governance is also different (up to 1 year lock), governance power is off-chain, veBoost, gauge power and protocol fees claim are on-chain.

Main benefits

- bb-a-USD & BAL claim function from veBAL rewards is easy to add & automate on the collector contract

- Governance is off-chain, and can be delegated via Snapshot.

- veBoost can be utilized.

- Aave holds a bigger supply share than CRV holdings

Main issues

- It's not possible to delegate the gauge power on-chain which means that the collector contract would need to cast a new vote each time the veBAL allocation on gauges is updated.

- New functions should be added on the collector contract to claim BAL from several gauges.where the Treasury could deposit.

- As the voting power linearly decreases, the position requires to be relocked frequently to retain the max benefits. This part can be automated by Llama.

- The potential locked holdings would represent ~1,48% of the veBAL supply (good but not enough to sustain Aave DAO various plans mentioned in Part IV)

Moreover, the DAO could decide to allocate some funds on Balancer/Aura to optimize the yield, so these protocols should also be accessible from the reserve factor contract.

Collector Contract Considerations

As it would be very inefficient to require AIP for each transaction, this option considers whitelisting the voting committee to manage the strategic positions on the collector contract from the multisig.

This solution keeps the decentralized ethos of the Aave DAO but is also the most complex to implement than simply delegating the management of the assets to the committee multisig.

- Implement all missing functions to interact with strategic protocols contracts such as Balancer/Aura, allowing to lock / periodically relock, claim, stake/unstake, updateBoost, add/remove liquidity, cast/update gauge votes

- Elect the voting committee and create the associated multisig

- Implement whitelists on the collector contract allowing the voting committee to handle the operations without requiring AIP for each transaction

Voting Committee

The voting committee would manage the following tasks by having its multisig whitelisted on the collector contract:

- Lock/Relock the veTokens positions

- Cast votes on gauges

- Claim protocol fees

- Claim gauges rewards

- Update/sell veBoost

- Follow the strategy profitability

- Optimize amounts and create votes incentives

- Claim unspent rewards & DAO vote incentives

- Compound all strategic assets

- Transfer all yield (or remaining yield to the collector contract)

Technical Implementation

- Elect the voting committee

- Deploy the multisig

Voting Options

YAE - Proceed with Committee

NAE - No Committee

ABSTAIN

Disclaimer

The Llama is not compensated by any of the mentioned communities outside of Aave.

Llama is an unpaid delegate within the Balancer ecosystem. Some members of Llama are unpaid delegates in the Paladin ecosystem.

Members who contributed to this proposal are not angel investors or advisors to any of the mentioned communities but some do hold small holdings in those communities tokens.

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References

1. [TEMP CHECK] Safety Module Update Part I - Migrate AAVE/wETH Balancer v1 Pool to Balancer v2

2. [TEMP CHECK] Safety Module Upgrade Part II - Asset Diversity, SM Categories & Slashing Updates

3. [TEMP CHECK] Safety Module Upgrade Part III - Enable gauges on BPT in Safety Module (smBPT)

4. [TEMP CHECK] Safety Module Upgrade Part IV - Incentives Management Upgrade

5. [TEMP CHECK] Safety Module Upgrade Part V - veToken Holding Management Framework

6. [TEMP CHECK] Safety Module Upgrade Part VI - Future considerations