

# Summary

A proposal to deprecate USDP, GUSD, LUSD, FRAX, and sUSD on Aave V2

## Motivation

Following our ongoing efforts to deprecate the V2 markets and following the recent [USDP volatility](#) and subsequent [freeze](#), we propose deprecating smaller market cap stablecoins on V2.

## Deprecation Phase I

Recent events have highlighted the need for Aave to reduce its V2 exposure to lesser-used stablecoins, many of which have limited liquidity, thus allowing for price manipulation and other potentially harmful events. Previously, the community followed a two-phase process to deprecate stablecoins, with BUSD and TUSD as examples. Given the success of these, we propose a similar path forward. Notably, none of the below stablecoins are collateral assets, reducing the complication of the process.

For USDP, GUSD, LUSD, FRAX, and sUSD we propose the following parameters:

Parameter

Proposed Value

Reserve Factor

95%

Borrowing Enabled

No

Base Rate

3%

Slope1

+3%

Slope2

200%

UOptimal

20%

The goal of Phase I is to increase borrower APR to encourage borrowers to repay their loans; this is achieved through higher Base Rate, Slope1, Slope2, and lower UOptimal. Additionally, we recommend leaving them frozen to prevent new supplies and borrowings. Finally, we increase the reserve factor to reduce supply APY, reducing the attractiveness of supply as borrowers pay increased rates.

Following observations from Phase I, we may move to further decrease UOptimal, increase Reserve Factor, and increase Slope2.

## Specification

### Deprecation Phase I

USDP

Parameter

Current Value

Proposed Value

Reserve Factor

35%

95%

Borrowing Enabled

Yes

No

Base Rate

0%

3%

Slope1

12%

15%

Slope2

75%

200%

UOptimal

80%

20%

GUSD

Parameter

Current Value

Proposed Value

Reserve Factor

35%

95%

Borrowing Enabled

Yes

No

Base Rate

0%

3%

Slope1

12%

15%

Slope2

150%

200%

UOptimal

70%

20%

LUSD

Parameter

Current Value

Proposed Value

Reserve Factor

40%

95%

Borrowing Enabled

Yes

No

Base Rate

0%

3%

Slope1

12%

15%

Slope2

65%

200%

UOptimal

80%

20%

FRAX

Parameter

Current Value

Proposed Value

Reserve Factor

45%

95%

Borrowing Enabled

Yes

No

Base Rate

0%

3%

Slope1

12%

15%

Slope2

100%

200%

UOptimal

80%

20%

sUSD

Parameter

Current Value

Proposed Value

Reserve Factor

45%

95%

Borrowing Enabled

Yes

No

Base Rate

0%

3%

Slope1

12%

15%

Slope2

100%

200%

UOptimal

80%

20%

## Next Steps

1. Following community feedback, submit the ARFC for a snapshot vote for final approval.
2. If consensus is reached, submit an Aave Improvement Proposal (AIP) to implement the proposed updates.

## Disclaimer

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