

In the light of the recent acquisition by Aave of a EMI license in UK, I would like to kick-start an early discussion aimed at brainstorming ideas for the use of this capability for the Aave ecosystem and the entire DeFi ecosystem as a whole.

It occurred to me that Aave TradFi entity could serve as an efficient fiat on-ramp not only to the Aave lending protocol but for the entire crypto market. Thus it would make sense if it would launch a USDC-like stablecoin, pegged to the fiat deposits from different regions in which it would operate.

The stablecoin smart contracts could be developed and integrated from the start with the most prominent wallets such as Argent, and more importantly the upcoming Loopring wallet which is L2 by default. In fact the whole architecture of the said stablecoin should be focused on L2 primarily which would bring a lot more users to L2 just by sheer convenience of it.

Now the really fun part is of course its characteristics as a tool for a decentralized savings account. The Aave protocol can generate a healthy amount of fees especially after it achieves critical mass in terms of TVL and loan volumes. These fees or a part of them can be distributed as interest (on top of standard deposit and liquidity rewards) to the stablecoin holders, provided of course that they deposit the stablecoin in the Aave protocol. Once it gets borrowed, it will find its way across all of DeFi.

This reward mechanism would make it the most desirable stablecoin to hold throughout the ecosystem, even more so when one takes into account the security of the Aave protocol insured by the Safety Module and the backstop mechanism.