

[TEMP CHECK] Deploy a Lido Aave v3 Instance

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Summary

This proposal suggests supporting the launch of Lido Alliance and deploying an Aave v3 instance focused on the Lido ecosystem.

Motivation

Aave and Lido have historically seen symbiotic growth, with stETH being one of the premier collaterals on Aave and leveraged staking being one of the most profitable use cases for both Aave DAO and Lido users.

Lido is in the process of launching the Lido Alliance, which will reward novel use cases of staked ETH and support further growth of the Lido ecosystem. This TEMP CHECK proposal suggests that Aave support Lido Alliance efforts by deploying a new Aave V3 ETH market for Lido. This Aave v3 instance will be designed and tuned to support stETH leverage loopers. The deployment will only include wstETH and wETH assets with E-Mode enabled.

Lido has committed incentive programs and ecosystem support for this instance in order to bootstrap liquidity and promote additional programs within the Lido Alliance.

They are invited to detail these incentives during the TEMP CHECK or ARFC stages of this proposals

Specification

The Lido Alliance's Aave v3 instance will implement the following:

- The borrow cap of wETH will be set to 90% of supplied wETH, with updates tightly controlled by the risk steward. This will ensure that stETH/wETH loops are consistently profitable and can't go into negative territory.
- E-Mode LTV & LT are set 50 bps above all other Aave implementations, making it the most efficient loop venue in the industry.
- For the first 6 months of the Lido Alliance Aave v3, wETH slope1 will be set at 2.60%, ((currently 2.8% on mainnet and 3% on L2s) and wETH RF set at 10% (currently 15% on all markets). This will make it the most profitable venue to loop stETH & wETH.

In addition, the ACI proposes that Aave DAO commit to the following:

- The slope1 on wETH is reduced to 2.60% (currently 2.8% on mainnet and 3% on L2s) on all markets to increase loop profitability.
- Aave DAO will commit to maintaining a 25 bps discount between wETH slope1 and stETH staking yield via AIP implementation.
- wstETH RF should be lowered to 5% RF on all networks.
- Introduce wETH deposit Merit boost to attract wETH on both ETH, Lido Aave & ARB markets.

The deployment of the Aave V3 Lido Ecosystem Aave will be done by Catapulta on behalf of the Aave DAO.

Useful Links:

Lido Alliance proposal: [Lido Alliance: An Ethereum-Aligned Ecosystem - Proposals - Lido Governance](#)

Disclaimer:

The Aave Chan Initiative is not directly affiliated with Lido and did not receive compensation for creating this proposal. This proposal passing does not imply that Aave DAO will automatically receive Lido DAO endorsement through the Alliance process. The ACI and its employees hold stETH.

Next Steps

1. If consensus is reached on this [TEMP CHECK], escalate this proposal to the Snapshot stage.
2. If the Snapshot outcome is YAE, this proposal will be escalated to the ARFC stage.
3. Publication of a standard ARFC, collect community & service providers feedback before escalating the proposal to the ARFC snapshot stage.
4. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal.

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