Title: [ARFC] Add rsETH to Aave V3 Ethereum

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ARFC has been updated with Risk Parameters provided by Chaos Labs.

Summary

Kelp DAO is seeking community support for adding its Liquid Restaking Token, rsETH, to Aave V3 on Ethereum. In addition, rsETH depositors into Aave will accumulate additional Kelp miles and EigenLayer points.

Motivation

KelpDAO

(https://www.kelpdao.xyz/restake/) is one of the largest liquid restaking protocol built on top of the Eigen Layer. Restakers on Kelp get access to multiple benefits like restaking rewards, staking rewards and DeFi yields.

Latest stats

:

- USD 800 Mn+ (~270k Eth) TVL
- 20K+ restakers onboarded
- Accepts ETHx, stETH, sfrxETH, and Native ETH as collateral
- Live across mainnet and L2s such as Arbitrum and Polygon zkEVM

KelpDAO has undergone multiple security audits by top tier audit firms including Sigma Prime, Code4rena. More about KelpDAO's security here: Kelp DAO Audit reports.

The motivation for this proposal is to introduce a new asset class LRT (Liquid restaking tokens) to Aave and add to the diversity of LST/ LRT category.

Restaking Innovation

KelpDAO's innovation in the restaking ecosystem has been focused on bringing about the following benefits to users and services-

- Restakers
- Liqudity for restaked assets (stETH, ETHx, sfrxETH and Native ETH)
- Access to additional staking rewards
- Participate in DeFi using rsETH
- Liqudity for restaked assets (stETH, ETHx, sfrxETH and Native ETH)
- Access to additional staking rewards
- Participate in DeFi using rsETH
- AVSs
- Bootstrap economic security
- Lowered incentive spends
- Bootstrap economic security
- Lowered incentive spends
- Operators
- Higher revenue earning potential

- Service onboarding and community support
- Marketing for node delegation
- Higher revenue earning potential
- Service onboarding and community support
- Marketing for node delegation

Specification

Risk Parameters have been provided by Risk Service Providers:

Parameter

Value

Isolation Mode

No

Borrowable

Yes

Collateral Enabled

Yes

Supply Cap (rsETH)

10,000

Borrow Cap (rsETH)

1,000

Debt Ceiling

-

LTV

72.50%

LT

75.00%

Liquidation Bonus

7.50%

Liquidation Protocol Fee

10.00%

Variable Base

0.0%

Variable Slope1

7.00%

Variable Slope2

300.00%

Uoptimal

45.00%

Reserve Factor

15.00%

Stable Borrowing

Disabled

Flashloanable

Yes

Siloed Borrowing

No

Borrowed in Isolation

No

E-Mode Category

ETH Correlated

CAPO recommendations:

maxYearlyRatioGrowthPercent

ratioReferenceTime

MINIMUM_SNAPSHOT_DELAY

8.75%

monthly

7 days

Detailed explanation on Kelp's technical architecture - Technical Architecture - Kelp

KelpDAO will have its own token $Kelp that will be the main governance token of Kelp protocol. Kelp token holders will be able to participate in governance related matters including Whitelisting/ delisting of Assets, Node operators, AVS', setting and updating fees for Kelp protocol.

Kelp's on-chain stats can be viewed on Dune.

Liquidity Pools for rsETH

Following are liquidity stats for rsETH:

- rsETH has >55 Mn USD liquidity across several DEXs on the mainnet including
- Balancer - $38 Mn
- Uniswap V3 - $12.42 Mn
- Balancer - $5 Mn
- Few others
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- Few others
- ~$10 Mn+ average daily trading volume (Last 7 days on 12th May)

Oracles

:

rsETH is supported by Chainlink and Redstone oracles. Posted links below to the Oracle contracts:

Chainlink calculated price feed: Kelp DAO: Chainlink Price Oracle | Address 0x78C12ccE8346B936117655Dd3D70a2501Fd3d6e6 | Etherscan

Chainlink market feed: RSETH / ETH | Chainlink

Redstone market feed:

https://app.redstone.finance/tokens#/app/token/rsETH\ETH

rsETH exchange rate mechanism:

rsETH exchange rate is defined based on the underlying assets and rewards generated by those assets.

Accepted assets include ETH, stETH, ETHx, sfrxETH.

Exchange rate calculation -

A → Total ETH + Staking rewards accumulated from the chain

B → [Amount of ETHx] * [Value of 1 ETHx in ETH]

C → [Amount of sfrxETH] * [Value of 1 sfrxETH in ETH]

D → [Amount of stETH] * [Value of 1 stETH in ETH]

E → Total supply of rsETH

Exchange rate (rsETH / ETH) = [A + B + C + D] / E

Withdrawals and risks

Prior to this ARFC, the only way to exit rsETH was via DEXs.

Nevertheless, KelpDAO users can now unstake rsETH, with an unbonding period of 7 to 8 days, due to Eigenlayer withdrawal period. That also means that any of the LST's including stETH, ETHx or sfrxETH from Eigenlayer can be unstaked as well.

Proof of Liquidity and Deposit Commitments:

Anyone who deposits rsETH into Aave will accumulate additionalKelp miles and EigenLayer points.

Useful Links:

- KelpDAO's Dapp
- Contract Address: 0xA1290d69c65A6Fe4DF752f95823fae25cB99e5A7
- GitHub Docs

Disclaimer:

This proposal is powered by Skywards. The Aave Chan Initiative is not directly affiliated with Kelp DAO and did not receive compensation for creation this proposal.

Next Steps

1. Publication of a standard ARFC, collect community & service providers feedback before escalating proposal to ARFC snapshot stage
2. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal

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