

Title:

[ARFC] Expansion of “Frontier”

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Summary

The Aave Chan Initiative proposes an expansion of the “Frontier” program. This proposal aims to further decentralize the protocol’s staking exposure and actively participate in network security by converting LSTs into RocketPool Minipools and running validator nodes.

Motivation

The [Frontier pilot program](#) launched 3 months ago was a success.

The DAO was the first ever to produce blocks and secure the Ethereum blockchain.

In terms of attestations, all [32 validators](#) are reporting a 99% attestation duty, which is the best possible score to be expected of a validator.

In terms of block production, the luck was not on ACI’s side, and fewer than expected blocks were produced, which is normal and nominal according to probabilities. The ACI was ready for this and will use its own treasury to make the DAO whole on revenue slightly below the index (ETHx yield)

As the Frontier program grows, probabilities will “smoother” out to make outlier luck and unluck less impactful for both sides.

Using this data & experience, the ACI proposes an extension of the Frontier program by the Aave DAO converting “idle” ETH & and part of LSTs unmarked for Merit wETH program and other allocations.

Specification

1. Conversion of DAO rETH holdings into RocketPool Minipools

: We propose converting 100% of the DAO’s rETH holdings into RocketPool Minipools to participate in staking directly.

1. Conversion of stETH to Stader validators pools

: We propose converting ~30% of the DAO’s stETH (must be a multiple of 4) holdings into stader validators pools to further diversify our staking exposure.

1. Increase diversity with Stakewise

we propose converting ~20% of the DAO’s stETH holdings to run stakewise validators (must be a multiple of 32), mint osETH, and deposit it into the Aave V3 protocol, then leverage stake these holdings.

1. Designate Aave Finance service provider

: We propose designating Aave Finance as the service provider responsible for defining and funding the Frontier program in their monthly budget treasury AIPs, considering the DAO’s needs and savings.

1. Yield optimization

: To optimize gas costs, we propose claiming the Frontier program’s yield twice a year. Aave Finance will be responsible for defining whether the yield is sent to the Aave Collector contract or compounded in more minipools and validators.

1. Yield guarantee

Based on data collected during the Frontier pilot program, the ACI is paying back 20 bps on top of LSTs nominal yield to the DAO to align the DAO financially & with the decentralization ethos.

1. Frontier as an official and permanent Aave DAO program

: We propose making Frontier a permanent and official Aave DAO program, operated by ACI and controlled and budgeted by Aave Finance, with the ability for the DAO to stop the program via an ad-hoc ARFC at any given point.

Next Steps

1. Gather community feedback on this expanded “Frontier” proposal.
2. If consensus is achieved, move this proposal to the ARFC snapshot stage.
3. If the ARFC snapshot outcome is YAE, proceed to the AIP stage for implementation and funding allocation in cooperation with Aave Finance service providers via an ad-hoc AIP vote or bundled in one of their treasury management AIPs.

Disclosure

The ACI directly acquires or is given access to RPL & SD tokens required to run validators on behalf of the DAO.

As no staking token is required to run Stakewise validators, the ACI is not compensated in that context.

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