Title: [ARFC] BUSD Offboarding Plan

Author: @marczeller - Aave Chan Initiative

Dated: 2023-03-05

Abstract

[After the ARC stage community discussions reached consensus.](#)

This ARFC proposal outlines a finalized offboarding plan for BUSD on the Aave V2 Ethereum market. The plan aims to reduce the amount of liquidity in BUSD and encourage users to switch to other stablecoins. The plan involves modification of BUSD risk parameters. The plan will be enforced in a single AIP.

Motivation

Paxos recently stopped the minting of BUSD due to recent developments with the SEC. This will result in the circulating supply of BUSD trending towards zero over time. Therefore, it is necessary to implement an offboarding plan for BUSD on the Aave V2 Ethereum market.

The resulting APR cost of the plan, if enforced today, would be 101.25% for current borrowers, signaling them to repay without significant impact on their positions. If the reserve utilization reaches 100%, the resulting APR cost will be 210%.

The ACI has analyzed the vBUSD debt token holders and found that most top positions are relatively active addresses and are expected to manage their positions actively.

The ACI would like to express its gratitude to all participants for providing valuable feedback during the discussions and @bgdlabs for providing valuable tooling support for rateStrategy simulations.

Implementation

The offboarding plan will be carried out in a single AIP with the following parameters:

- Decrease uOptimal from 80% to 20%.

- Increase reserveFactor from 10% to 99.9%.

- Increase base rate from 0% to 3%.

- Increase slope 1 from 4% to 7%.

- Increase slope 2 from 100% to 200%.

Process

The community has reached a consensus on this plan after valuable participant feedback during the ARC stage.

a Snapshot vote will now be published to allow Aave Governance to voice its opinion on the offboarding plan.

Disclamer

The Aave-Chan Initiative is not affiliated with or paid by Binance to publish this ARFC.

At the time of writing, Marc Zeller, the founder of ACI, Does not hold any BUSD.