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Our first post here, a warm hello to the Aave community from Yearn!

In short

Strengthen the symbiotic relationship between Aave and Yearn by taking the following actions:

1. Disable YFI as a borrowing asset

in order to prevent governance and shorting attacks, which in turn enables aYFI to be accepted in Yearn Governance, thereby increasing the utilization of Aave within Yearn products.

1. Extend a special 3% fixed interest facility to Yearn's Treasury

, which commits to making a 1,000 YFI deposit maintained with up to 65% utilization (loan-to-value).

1. Enable access to Native Credit Delegation for Yearn vaults

, allowing Aave Liquidity Providers (LPs) to delegate to Yearn vaults directly from within Aave's interface. Aave in turn can earn a share of the revenues generated from the vault fees.

Rationale

Individually, each action creates value. Taken together, these actions reinforce each other and the positive impact on both Aave and Yearn:

Disabling YFI as a borrowing asset

- Makes Aave more competitive

, as it eliminates concerns of governance

[\[1\]](#) and shorting attacks

using borrowed YFI. This allows Aave to compete with Maker as the preferred place to deposit YFI as collateral: * Yearn Strategists can include Aave as part of YFI vault strategies without exposing it to the concerns above

- Yearn Treasury can use Aave in the same way it recently used Maker to open up a 9.7m DAI position [\[2\]](#)
- Large holders would be more willing to deposit into Aave
- Yearn Strategists can include Aave as part of YFI vault strategies without exposing it to the concerns above
- Yearn Treasury can use Aave in the same way it recently used Maker to open up a 9.7m DAI position [\[2\]](#)
- Large holders would be more willing to deposit into Aave
- Increases demand for aYFI.

Once governance attacks are no longer possible, aYFI could be supported in Yearn's guest-list repo [\[3\]](#), making it eligible to vote in Yearn Governance. Aave's aYFI is explicitly excluded today [\[4\]](#) due to the above concerns.

- Comes at low opportunity cost to Aave.

There is negligible demand to borrow YFI today. Only 3.57%

[\[5\]](#) of deposited YFI is being borrowed.

Extending a special 3% fixed interest facility to Yearn's Treasury

Yearn recently minted 4,444 YFI for their Treasury [\[6\]](#). Of these, ~2,600 YFI have so far been deposited into Maker and used as debt collateral [\[7\]](#). By offering favourable terms to Yearn's Treasury, Aave can attract these deposits. The size of deposited funds and the accrued interest thereof warrants special treatment.

A fixed interest rate works in the favor of both projects: Yearn gets predictable debt servicing costs, while Aave earns predictable yield

Enabling access to Native Credit Delegation for Yearn vaults

Yearn has been supporting Aave's credit delegation functionality since it was launched[\[8\]](#) through yborrow.finance[\[9\]](#) and more recently in the yet-to-be-released yDelegate[\[10\]](#). Native Credit Delegation[\[11\]](#), a feature part of Aave v2, allows LPs to delegate into Yearn vaults directly from within Aave's own interface.

As an example, an ETH depositor wanting to maintain their ETH long exposure while at the same time earning interest in Yearn's yDAI vault, could draw DAI and delegate it directly to the vault from Aave's interface.

This would allow Aave to become one of the first participants in Yearn's recently announced Partnership Program[\[12\]](#), earning a share of the revenue from Yearn vault fees

that Aave users would generate.

Requirements

1. Disable YFI as a borrowing asset

YFI should no longer be lent out as a borrowing asset by Aave protocol to its users.

2. Extend a special 3% fixed interest facility to Yearn's Treasury

Offer a special facility to Yearn's Treasury under more attractive terms, in exchange for a minimum deposit being met.

Proposed parameters

Parameter

Value

Min deposit

1000 YFI

Interest rate (fixed)

3%

Maximum loan-to-value

65%

Liquidation threshold

85%

Liquidation bonus

5%

3. Enable access to Native Credit Delegation for Yearn vaults

From a technical standpoint, the only thing required would be to interface with the deposit()

and withdraw()

calls of vaults. There's an in-progress Yearn SDK[\[13\]](#) to make integrations such as these easier, and the Yearn development team is at Aave's disposal to help with integrating.

Aave can then earn rev share on the TVLs contributed through Native Credit Delegation from its UI, by passing deposits and withdrawals through an Affiliate Wrapper[\[14\]](#) contract.

By using the wrapper, up to 50% share of the net revenues can be earned, based on total TVLs contributed across all vaults in a given time period.

Sentiment poll

Adopt the proposal?

- Yes

- No

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voters

References

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