Summary

Joint Proposal by @ramaruro, @Estebank and @benlongstaff

In September 2020 we submitted a proposal to add TBTC (Bitcoin in Ethereum) to AAVE as Collateral for lending and borrowing: Proposal: Add support for TBTC

We want to give some updates on the growth of TBTC and poll the community concerning the listing of TBTC as collateral in AAVE

The following concerns were raised in the previous proposal, these will be addressed below:

- Time being live on mainnet

- Decentralisation of stakers

- Available tooling for insights into the network

Here we also the address the following items:

- Is TBTC a safe and suitable addition for lenders and borrowers and for the whole of the AAVE protocol

- Liquidations

- Deposits that failed to open

Details about TBTC

The tBTC system is developed by the Keep Network (https://keep.network/).

tBTC is

- Decentralized, Trustless, Permissionless

- Fully collateralized

- Open Source, Audited

Each bitcoin deposit is stored in a separate wallet created by the signers. Depositors don't have to trust custodians, aka signers, because signers deposit a 150% ETH bond of the value of the BTC they hold in custody and have a stake of KEEP tokens that can be slashed if there is collusion.

The permissionless nature can be summed up by

Question - "How many doors would you have to kick down to stop my TBTC being redeemed for BTC?"

Answer - "Good luck finding the doors"

Main Stats about TBTC

This site shows current Supply of TBTC, total Value Locked, Mints and Redeems, as well as Bonded Value (securing the TBTC): https://keepstats.org/

- ~3 Months operation on mainnet with no loss of user funds, signer liquidations will be discussed below

- ~1780 TBTC in circulation

- ~$42M total TBTC value in Ethereum

- ~11,000 TBTC minted

- ~9,200 TBTC redeemed

- ~100,000 ETH bonded

- 174 nodes

- Audited, fully open source smart contracts and dapps.

[

102910498-47e94e00-4440-11eb-8672-cfb9fddbbd89.png

895×658

](https://user-images.githubusercontent.com/68167410/102910498-47e94e00-4440-11eb-8672-cfb9fddbbd89.png)

Addressing Previous Concerns

1) Time live on mainnet

The tBTC system has been operating since September without any problems.

2) Decentralisation of stakers

There are 190 operators registered in the network, around 95 of those would have had their stake purchased on the market. Note that not all of the operators have finished setup on the network which is why this number is higher than the number of nodes listed in the main stats.

3) Available tooling for insights into the network

The tooling built by the community to gain insights into the network has matured significantly since launch.

The main recommended sites are:

https://keepstats.org/ (statistics about the network)

https://allthekeeps.com/ (details about deposits status and operators)

Other Questions Answered

1) Total TBTC Supply:

You can see Statistics of TBTC live onhttps://keepstats.org/). Currently there are about ~1750 TBTC in circulation ⇒ ~$40M total TBTC value on Ethereum. If 10-12% of this comes to AAVE, i.e. ~$4.5M, that is similar to several other Assets currently available. Also, TBTC will grow significantly from there.

2) Is TBTC a safe and suitable addition for lenders and borrowers for the AAVE protocol ?

Depositor funds are given the highest priority in the network. 1 TBTC token is always backed by 1 BTC

Signers are randomly selected and put down a 150% bond

in ETH for any BTC they take custody of.

The economic security model of over collateralisation protects depositors against

- Being unresponsive in returning the deposited BTC

- Signers colluding to steal the BTC deposit

- Under collateralization

Failure to return a user's BTC results in the signers' ETH bonds being seized and auctioned off for TBTC.

3) Liquidations:

There have been 39 liquidations of ETH bonds since the network launch. This is the system acting as intended: [https://allthekeeps.com/deposits/liquidations

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All of the custodial risks are offloaded to the signers instead of the depositors.

Of the liquidations 38 were caused due to the collateralization level falling below 125% and 1 was due to operator error. Whenever a signer has an issue or misbehaves, it is the signer who loses funds. The depositor is always able to seize the signers bonds to recover their BTC.

4) Deposits that failed to open:

There are a large number of deposits that were not funded in time, causing them to entered a failed state. This was a result of operators stress testing the network at the beginning. Deposits that are not funded in time can be notified of timeout to free up the signers ETH bonds for further work.

Polling

Please vote in the poll below to get a sense of community support to then kick-off a potential listing.

- Yes for TBTC listing

- No for TBTC listing

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voters

- Yes for TBTC listing

- No for TBTC listing

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voters