title: [ARFC] Add USDT to Ethereum V3 Market

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Simple Summary

This proposal presents Aave with the opportunity to onboard USDT to the Ethereum v3 Liquidity Pool.

Abstract

USDT is a centralized stablecoin minted by Tether. for each unit of USDT in circulation; Tether holds a dollar or equivalent in short-term bonds or commercial paper.

This ARC is a joint effort with @Llamaxyz to allow a selection of assets to be onboarded on V3 via the governance process. Both Llama & ACI will propose AIPs on onboard assets on V3

USDT is currently one of the largest V2 stablecoin reserve with ~335m$ supplied

Motivation

Supporting stablecoin diversity is part of the Aave-Chan Initiative (ACI) delegate platform.

The ACI does not have any link nor is paid by Tether or any entity to present this ARC.

The risk parameters provided introduce USDT as a non-collateral asset.

The Interest rate Strategy curve is the same as for USDT in V2. for now.

The ACI is supportive of onboarding USDT as it was in V2.

For now, the ACI doesn't consider V3 mature enough to activate a USD stablecoins emode and consider USDT in it.

Also, supply and borrow caps are suggested for this asset to limit risk exposure.

They're currently set to allow reserve utilization to cross the Uoptimal point slightly. But @ChaosLabs & @Pauljlei input is valuable on this.

By presenting each asset to be onboarded to v3 Ethereum individually, the community can focus on a specific asset, with individual Snapshots determining how to proceed. Finally, approved assets listings can be grouped for the on-chain AIP vote.

Specification

Ticker: USDT

Contract Address: 0xdAC17F958D2ee523a2206206994597C13D831ec7

Risk Parameter

Value

Isolation Mode

NO

Enable Borrow

YES

Enable Collateral

NO

Loan To Value

N/A

Liquidation Threshold

N/A

Liquidation Bonus

N/A

Reserve Factor

10%

Liquidation Protocol Fee

0.1

Borrow Cap

185M

Supply Cap

200M

Debt Ceiling

N/A

Base

0%

Slope1

4%

Uoptimal

90%

Slope2

72%

Additional note:

USDT has been excluded from collateral assets since DeFi inception due to its centralized nature. After years of functioning as intended and witnessing the growth of USDC in the DeFi ecosystem, it seems that reasons for exclusion have fewer grounds in the current DeFi ecosystem and pragmatic approach would be to onboard it in a conservative way and make risk parameters evolve based on market data.

While this ARC doesn't present a proposal to add USDT as collateral, the ACI thinks the community should consider this as something to discuss at a later stage when V3 will have more maturity.

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