

Title: Aave Treasury Proposal: Onboard with Centrifuge Prime to invest in RWA

Author: [@Khan](#)

Date: Sep 7, 2023

Summary

This proposal brings on Centrifuge as a service provider to the Aave DAO to setup a legal structure to support RWA investments, develop RWA specific management and governance processes, and allocate \$1M of the Aave Treasury's stablecoin holdings to a liquid US T-Bill fund on Centrifuge, as a proof of concept investment.

This is a first step towards a long term effort for Aave to develop and launch an RWA Facilitator that will back GHO with Real World Assets. With this proposal Aave can earn yield on idle stablecoins, establish long-term RWA infrastructure for the protocol, and allow the Aave DAO to begin building internal familiarity and expertise in the RWA industry.

The proposal minimizes upfront cost and completely recoups the initial investment within 6-12mo and starts earning yield for Aave within the first 3mo. It locks up no long term capital and leaves the DAO in full control over the treasury allocation.

The main results of this proposal:

1. Aave will onboard to Centrifuge Prime to establish the legal and technical infrastructure for the Aave protocol to invest in RWAs.
2. Through Prime, the Aave Treasury will allocate \$1M of USDC to the Anemoy LTF, a short-duration US treasury bill pool on Centrifuge.

Motivation

Aave has long been a contributor and supporter of RWA initiatives. Since the first announcement of GHO, the Aave community has consistently expressed its interest in expanding into this area. Treasury Management at Aave has historically been focused on strategic crypto assets, ignoring the returns and liquidity available in offchain markets for various reasons.

Today, with roughly 17% of the treasury in stablecoins (~13m USD), the Aave DAO is overlooking the 5% available interest in the risk-free rate of overnight financing of US treasury assets. This can offer \$250,000 of recurring revenue a year at just 5m USD of investment. These markets can immediately become some of the highest earning revenue streams for the DAO.

Beyond just economics, this proposal would allow the Aave DAO to establish and begin developing the internal RWA expertise necessary to engage with these markets. Centrifuge Prime is purpose-built for DeFi native organizations, offering the critical services and infrastructure necessary to onboard a diverse portfolio of RWA through a single interface.

Centrifuge has a long track record of working with DAOs to bring RWA on as collateral, and pioneered the first Aave deployment into RWA with the joint development of the RWA Market. Onboarding Aave to Centrifuge Prime for liquid investment strategies is an optimal approach for scaling RWA with the Aave community. It will develop the legal and technical infrastructure necessary to interface with RWAs safely and efficiently, while allowing the Aave community to get comfortable and familiar with the processes and thinking around RWA. This will put Aave in a significantly improved position to be able to leverage RWA collateral for GHO in the long term, either to improve liquidity or develop additional revenue streams.

Specification

Setting up the Aave DAO Legal Conduit

This proposal instructs Centrifuge to initiate the setup of a legal structure for the benefit of the Aave DAO that will be ratified and deployed by a subsequent Aave token holder vote.

The process for establishing the legal framework is as follows: The Centrifuge contributor team will retain external legal counsel in the Cayman Islands to represent the Aave DAOs interests. The legal structure itself will be established per the previously discussed legal framework developed by Centrifuge. The defining documents and legal agreement team will be created to incorporate specific processes around the DAOs interaction with the foundation company. The results of this work will be presented to the Aave DAO, an analysis from the external counsel will be provided, and the community will have time to process, provide feedback, and otherwise request changes in the legal structure. The structure will only be implemented and executed with DAO approval, likely via Snapshot or other requisite process as requested by the community.

The legal structure will be integrated with DAO governance through a process defined in the legal documents, is capable of investing and holding assets on behalf of the DAO, and ultimately allow the Aave DAO full legal recourse to their investments. The legal counsel, while required under local Cayman law, is retained for the purposes of having an independent legal party to protect Aave's interest.

The structure defines the actions the foundation can take, such as initiating investments or redemptions. Any action can be

made only with approval from the DAO and providing a DAO approved “resolution” to the Foundation entity described above instructing the Foundation to act in accordance with the resolution. The specific details of this process will be developed alongside the Aave community.

This framework is based on our extensive experience in MakerDAO setting up [similar structures](#). There, the same structure is used to support a >\$1.2B debt ceiling, with >600m+ actively deployed.

More information on the fund, the legal framework, and the processes described here can be found in the on going FAQ discussion [here](#).

Initial pilot investment in Anemoy Liquid Treasury Fund

Once the legal structure has been defined and implemented, a specific DAO resolution will be presented to the DAO that instructs the Foundation to perform a 1M investment into the Anemoy LTF and transfers 1M USDC from the DAOs treasury into the Anemoy pool onchain.

Centrifuge will work with Aave to do an initial test investment and then a partial redemption to test out the complete rails.

Scaling beyond the first transaction

It is best for Aave to deploy into RWAs slowly. This proposal creates an initial deployment into the Anemoy Liquid Treasury Fund of \$1M (pending DAO approval at the time investment). It is up to the community to initiate further investments, but we recommend keeping RWA allocations at a fixed cap of the overall Aave balance sheet until the community is more comfortable.

From there on, further investment and redemption actions are in full control of the Aave DAO. The process can easily be integrated to support portfolio and allocation decisions made through a more formal treasury management process, either manually or programmatically. Centrifuge is committed to supporting these efforts for the duration of this proposal’s stream.

Outside of US treasuries, the Centrifuge Prime setup would also allow the Aave DAO to allocate into the following asset classes in the future:

Bucket

Description

Target Return

Liquidity

Liquid

Lowest risk while maintaining US Treasuries, MMF, AA+ rated short term bonds

5-6%

Daily

Preservation

Investments in senior secured loans such as real estate, corporate bonds etc.

6-8%

3-6 months

Acceleration

Trade finance, non-bank originators, emerging markets

8-20%

3-24mo

Summary Process

In summary, the following process will be executed through this proposal:

1. Acquire Caymans Legal Counsel
2. Conduct initial legal research and analysis alongside counsel, share to forum

3. Post proposed legal documents and legal arrangement to forum, host community call, gather and implement community feedback. Arrangement will include explicit processes for management of the foundation company (i.e. investments and redemptions).
4. DAO approval of legal implementation
5. Foundation company onboards to Anemoy LTF
6. DAO proposal request for 1m of USDC investment into Anemoy LTF

Estimated Timeline & Project Phases

Legal setup

Creation of Foundation Company, passing of DAO resolutions to start deployment into RWAs

1-2 months

Initial Deployment

DAO instructs Foundation to deploy \$1M into a US Treasuries Fund and transfers \$1M in USDC Stablecoins into the Anemoy LTF

2-3mo

Scaling up / Ongoing Operation

DAO can vote on increase allocation to Prime and direct investments towards a variety of liquid lower yielding and more longer term investments at any time

After 3mo

Fees

While there are some legal setup costs that have to be covered by the DAO upfront we limit these as much as possible.

Even at a conservative deployment of just \$2M and a portfolio return equal to current US Treasury yields Aave should break-even within the first 6mo and start generating revenue for the DAO thereafter.

The legal work will be useful far beyond this initial proposal and can be the basis on which Aave onboards RWAs into GH0.

Fees

Legal Setup

up to 50,000 USDC

To be paid immediately into a Safe controlled by Centrifuge to pay for lawyers and Cayman service providers to set up a Cayman foundation company to the benefit of the Aave DAO, any unused budget will be returned to the Aave treasury.

Portfolio Fee

0.35% p.a. on assets in Prime up to \$50M, 0.2% \$50-100M, 0.1% >\$100M

Paid on an ongoing basis to Centrifuge for maintaining the portfolio

Aave Reward

500 stkAave streamed over 2 years into the Centrifuge treasury, starting with the first 1M UDSC Deployment into Centrifuge Prime

To cover costs of resource and facilitation time for the development of the infrastructure and processes. Centrifuge DAO intends for this to create better alignment with strong skin in the game incentives for success.

Summary of changes & discussion with the community since the Temp Check

- In discussion:
- Provided more details on the legal framework
- Provided more details on the Anemoy LTF
- Hosted individual and group calls with active delegates and voting participants to answer questions and provide further

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- In this ARFC:
 - Modified the proposal to focus primarily on an initial 1m RWA investment, with further investments explicitly out of scope
 - Specified Aave Reward to be paid out only upon deployment of the initial investment
 - Further explanation of legal constructs
 - Further explanation on use of funds
 - Defined a more detailed and explicit process for the establishment of the legal framework
 - Defined a more detailed and explicit process for the initial 1m investment
 - Breakout of proposal delivery steps and phase
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Additional Resources

- [Temp Check Proposal](#)
- [Further Discussion and Q&A](#)
- [Centrifuge Prime Announcement](#)
- [A Discussion on a GHO Real World Asset Facilitator](#)

Disclaimer:

This proposal is written by a member of the k/factory team, a core contributor to the Centrifuge protocol.

Next Steps:

Upon approval, Centrifuge will work with the DAO to implement and execute the AIP.

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