

ARC rationale

On the 25th of September 2020, with the results of AIP-1, the Aave protocol kickstarted its initial phase of Aavenomics and Safety Incentives with a scheduled distribution of 400 AAVE per day to Safety module stakers.

With the implementation of the Aave Protocol V2 and the soft deadline of first-quarter approaching, the opportunity to upgrade the current Safety Incentives for a new quarter is here.

This ARC is inspired by the previous community-led discussions on the topic and the Aavenomics proposal with the objective to gather community sentiment and consensus to form and publish a formal AIP proposal vote for a community vote.

This ARC will increase the responsibility of AAVE stakers for their service of protecting the Aave protocol by the formal activation of the slashing.

The slashing officially enforces the currently implicit responsibility and risk of the participation in the stakings modules of Aave. In the worst-case scenario of critical failure, an amount to be decided will be slashed from stakers deposits.

In this phase 0 of the slashing, the auction mechanism will not be automatized yet and if a slash were to happen it would be done through governance and direct compensation.

This ARC will also enable Balancer Pool Token staking in the Safety Module.

To be discussed and decided :

- Activation and reward for the Balancer Pool Token Staking (80/20 AAVE/ETH) : The BPT stakers will suffer a minimal impermanent loss due to the 80/20 ratio of the pool.

They will also receive BAL tokens as part of the balancer ecosystem liquidity mining.

They are also exposed to the same slashing risk as plain AAVE stakers.

Regarding the AAVE safety incentive for BPT staker, we propose to share on an equal basis, 50/50 with the plain AAVE stakers.

- Increasing the Safety Incentives: As the possibility of slashing will now be formally introduced, staking reward should reflect the risk. Hence we propose to increase the Safety Incentives to 550 AAVE per day
- Slashing %: The original proposal by the Aave genesis team was 30% of the stake. We propose to keep it that way but it's still up for discussion.

In terms of timeframe, the AIP-1 plan was enabled on 25th Sep 2020 with a non-binding deadline of 90 days. If community discussions and subsequent AIP vote fail to reach consensus on 24th December 2020; the current safety incentives plan will continue until a new AIP is voted on, or the Ecosystem reserves run out of funds.

ARC content in short

- Activation of the Slashing for the Safety Module with a maximum slashing threshold at 30% of Staked Amount
- Activation of the Balancer Smart Pool 80/20 AAVE/ETH (BPT)
- Increase the Safety Incentives for AAVE staking to 550 AAVE per day and start the Safety Incentives for BPT staking at 550 AAVE per day. The new total staking reward will be 1100 AAVE per day.

Relevant Links

- AIP-1 enforcing the last quarter Aavenomics quarterly schedule: <https://app-v1.aave.com/governance/0-QmS21kG6Tb4QwmW7yVU1TeruGMYf3k2E72PVjY6a5MEdqP>
- Community-led main Governance thread on the quarterly schedule plan: [ARC - Fees & Rewards: How to improve the \\$AAVE token value?](#)
- Aavenomics proposal :

<https://aave.com/aavenomics>