

Title: Add SUSHI to AaveV3 on Mainnet

Author: Fuji Finance team

Summary:

This publication presents the community with the opportunity to add SUSHI as an asset in Aave V3 on Mainnet.

Background:

SUSHI is the token created by the well-known SushiSwap exchange. It is currently a top 5 DEX by TVL (over \$500M at time of writing, with ~\$450m from their DEX markets), with deployments on 25 different chains.

While the SUSHI token cannot be used for governance directly, its' derived forms, xSUSHI and "ETH/SUSHI SLP" (a.k.a SUSHIPOWAH), can be.

Previously, xSUSHI was accepted as a collateral in AaveV2; however, given the events of the FTX collapse in the fall of 2022 and as a mitigation risk proposed by Gauntlet in AIP121, xSUSHI market was frozen along with other markets. Refer to [AIP121](#).

A few days later [AIP125](#) was submitted and approved to un-freeze some of the assets. This proposal allowed some assets to continue being used as collaterals but not as a borrowed asset. However, xSUSHI was not included in the unfreeze.

While xSUSHI was previously supported by AaveV2, we do not propose to support xSUSHI again, but specifically the [SUSHI token](#).

Having two money markets with the same asset helps for general composability. In addition Sushi re-structured their financials, redirecting fees from xSUSHI holders now going directly to the Sushi treasury. It is, therefore, why we also consider that having SUSHI token listed rather than xSUSHI.

SUSHI is also already a supported collateral asset in AaveV3.

Risks

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The SUSHI token is currently supported on CompoundV2 on mainnet, and we suggest similar risk parameters should be considered with Aave V3 as well. The interest rate curve that optimizes utilization ratio could be similar to the UNI token.

Max LTV

Liquidation threshold

Liquidation Penalty

Reserve Factor

60%

67%

10%

20%

Benefits for Aave:

Aave V3 could benefit from the TVL increase that could be kickstarted from this proposal.

Benefits for the ecosystem:

Having the same token contract, SUSHI, in two reputable money markets creates possibilities for arbitrage and general composability in the Ethereum DeFi ecosystem.

Fuji Finance is an aggregator of money markets, and we would be open to creating a vault that rebalances between the Compound V2 & Aave V3 markets for SUSHI.

Disclaimer:

Fuji Finance is not an expert in risk, and therefore we suggest the community considers discussing the optimal risk parameters.