

title: [ARFC] upgrade Aave V3 ETH pool wETH parameters

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Summary

This ARFC proposes an update to the slope1

parameters of WETH in the Aave V3 Ethereum pool. With the stabilization of [staking market](#), we believe it's time to adjust the slope1

to better align with the current yields of stETH and reth.

Motivation

The current yields of stETH and reth have been observed at 3.3% and 3.07% respectively. By adjusting the slope1 parameter of WETH, we aim to:

1. Enhance Profitability in Leverage Loops

: The proposed adjustment will make leverage loops more profitable for users.

1. Align with stETH and reth Yields

: The adjustment aims to set the slope1

slightly below the current yields of stETH and reth, ensuring Aave remains competitive.

Increased utilization of ETH reserve is expected to partly compensate for the slight loss of protocol revenue due to lower interest rate equilibrium.

Specification

We propose two options for the slope1

parameters:

1. Conservative Option

: Set slope1

to 3.2%. 10 bps below stETH yield but above rETH yield

1. Aggressive Option

: Set slope1

to 2.8%. 50 below stETH yield & 23bps below rETH yield allowing both to be profitable.

Additionally, we propose reducing the optimalRatio

to 80% to mitigate liquidity risks.

According to the [\[ARFC\] ARFC and TEMP CHECK Framework](#) 320k YAE on either the conservative or aggressive option are necessary to meet quorum.

Next Steps

1. Gather community feedback on the proposed changes.
2. If consensus is reached, escalate this proposal to ARFC snapshot stage.
3. If ARFC snapshot outcome is YAE, escalate to AIP stage.

Disclaimer

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