[ARFC] USTB/BUIDL GSM

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Simple Summary

This ARFC proposes expanding the BUIDL GHO Stability Module (GSM) to incorporate Superstate's USTB. The proposal recommends a 50:50 split between BUIDL and USTB to help increase GHO's stability with diverse reserves and maximized yield.

Motivation

The proposal aims to introduce an additional industry-leading tokenized U.S. Treasury Bill product to support the stability and efficiency of GHO while maximizing protocol revenue.

Superstate recommends expanding the proposed BUIDL GSM instance to include USTB to diversify GHO's reserves, RWA yield sources, and foster a resilient and scalable GSM. Adding USTB to this instance will enhance the GSM's capital efficiency, while also maximizing transparency, liquidity, and yield.

USTB offers competitive benefits for the Aave ecosystem, bolstering GHO's stability and generating surplus revenue for Aave. Currently, management fees are waived (0.00%) while USTB is under $200M AUM. Once this is surpassed, the management fee is 0.15% for any client balance up to $25M. Aave will benefit from a 67% discount on management fees (0.05%) for any assets above $25M. Furthermore, USTB provides transparent daily Net Asset Value via a Chainlink oracle with a separate Proof of Reserves Chainlink oracle coming soon. USTB's website publishes holdings weekly with daily NAV, AUM, and yield available for anyone to see. You can visit https://superstate.co/ustb.

USTB is deployed on the Ethereum network, providing onchain access to traditional financial assets sub-advised by Federated Hermes, with UMB Bank as custodian, and Ernst & Young LLP as the Fund auditor. USTB's investment mandate ensures at least 95% of the portfolio is invested in short-duration U.S. Treasury Bills. Up to 5% of the portfolio at any time can be held in cash to facilitate liquidity.

Superstate Inc. has partnered with Circle, Fireblocks, and NAV Fund Services for USDC subscription/redemption, responsible key management, and third-party Net Asset Value (NAV) calculation. USTB is a Delaware Statutory Trust which means all assets are bankruptcy-remote from Superstate Inc. This means investors (e.g. GSM) are siloed from liabilities that may arise from Superstate Inc. and the other Funds part of Superstate Asset Trust.

Each USTB token (ERC-20) is one share in the Fund, with the number of shares issued/USTB tokens minted equal to the Purchase Amount ($) divided by the Net Asset Value per share (NAV/S) on a given Market Day. Market Days are when both the New York Stock Exchange and the Federal Reserve Bank of Philadelphia are open. NAV/S increases daily due to the Fund's investments accruing interest.

USTB works in a similar way to Lido's wstETH. You are minted a static amount of tokens and your token balance stays the same unless you mint, burn, or transfer. The NAV/S increases over time, allowing you to redeem a share of USTB for an increasing amount of U.S. Dollars or USDC.

The USTB fund currently holds over $125 million in AUM, with more than $150 million redeemed to clients in T+0 or T+1 time frames since inception. USTB is currently onboarded for Arbitrum's Treasury and used in Mountain's USDM Reserves. It is being considered for Ethena's USDe Reserve Fund and Spark's Tokenization Grand Prix.

This GSM expansion would further diversify GHO's yield sources from real-world assets (RWAs) which should maximize after-fee yield and transparency for the protocol.

Superstate will help Aave Labs expand the proposed BUIDL GSM instance to include a 50:50 allocation towards USTB and BUIDL. This will enable 1:1 fixed-ratio swaps between USDC and GHO, utilizing the USDC surplus to mint both BUIDL and USTB tokens. Thanks to the instant redeemability between USDC and BUIDL and the yield profile of USTB, the GSM can mint and reedem USTB and BUIDL in exchange for USDC. The first tranche of redemption will come from BUIDL. During the payout, the GSM can redeem USTB, receive USD, and subscribe to BUIDL to rebalance. If desired, Superstate could configure USTB redemptions from the GSM to automatically direct USD proceeds to BUIDL, enabling quicker and more automated rebalancing.

This proposal ensures a more seamless experience similar to the existing GHO:USDC GSM, while maximizing capital efficiency, transparency, and yield. This structure (splitting between liquid and high-yield products) allows GHO extreme flexibility and USDC support.

Specification

Superstate will help Aave Labs expand the proposed BUIDL GSM instance to include a 50:50 allocation towards USTB and BUIDL. This will enable 1:1 fixed-ratio swaps between USDC and GHO, utilizing the USDC surplus to mint both BUIDL and USTB tokens. Thanks to the instant redeemability between USDC and BUIDL and the yield profile of USTB, the GSM can mint and reedem USTB and BUIDL in exchange for USDC. The first tranche of redemption will come from BUIDL. During the payout, the GSM can redeem USTB, receive USD, and subscribe to BUIDL to rebalance. If desired, Superstate could configure USTB redemptions from the GSM to automatically direct USD proceeds to BUIDL, enabling quicker and more automated rebalancing.

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These graphics illustrate the Flow Of Funds for both minting and burning GHO with USDC.

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Disclaimer:

This proposal is powered by Skywards. ACI is not directly affiliated with the Superstate team and did not receive compensation for creation this proposal.

Next Steps

1. Publication of a standard ARFC, collect community & service providers feedback before escalating proposal to ARFC snapshot stage.
2. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal.

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