

title: [ARFC] GHO Liquidity Pools: Primary Pools Initial Strategy

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Summary

This publication presents the community with an initial repartition of the veBAL gauge weight power to different GHO primary liquidity pools

Additionally to the DAO voting power, several ecosystem members expressed interest in supporting GHO, pushing the estimated voting power up to ~ 7,7% of the veBAL voting supply.

Motivation

Following on from a successful [Snapshot vote](#) and [B-80BAL-20WETH acquisition](#), the three primary Balancer liquidity pools have been defined and gauge proposals have been submitted with voting ongoing.

- [\[BIP-357\] Enable GHO/LUSD Gauge \[Ethereum\]](#)
- [\[BIP-358\] Enable GHO/wstETH Gauge \[Ethereum\]](#)
- [\[BIP-360\] Enable GHO/bb-a-USD Gauge \[Ethereum\]](#)

After discussion with other teams, two initial secondary pool gauges have been proposed. However, in line with the [TEMP CHECK](#), the DAO's veBAL holding should be used to support the three primary pools.

In addition to Aave DAO's veBAL holding, several veBAL & vIAURA holders have expressed an intention to help bootstrap GHO liquidity pools. We would like to give a special thank you to the Balancer and Aura community members for their contributions.

This proposal will try to estimate the gauge power allocated to GHO pools & the potential yield depending on several TVL estimations for each primary pool. In analyzing the potential liquidity conditions, three scenarios are presented.

While the initial GHO supply is expected to be 100M, additional cap increases can be implemented and voted so this can also help to visualize how the supported voting power can scale.

For the purpose of this proposal, it has been assumed that all relevant positions are continuously relocked to maximize the voting rights.

Aave DAO is contributing 1.81% of the ~ 7,7% veBAL and the remainder is coming from teams that TokenLogic has been coordinating with. Do note, there are dependencies on these contributors to maintain the voting support over time. Initial discussions indicate that in 2-3 months time, some veBAL and vIAURA holders are expected to revisit their allocations.

Estimated veBAL gauge power to bootstrap GHO at launch

The below table presents the initial veBAL and vIAURA expected to support GHO's launch and Aave DAO's veBAL holding. Aave DAO holds 157,169.86 B-80BAL-20WETH to be converted to an estimated 1.80% of veBAL supply by [Llama](#). The table below shows the distribution of veBAL and vIAURA support for the main three GHO pools.

Aave DAO with support from friends is expected to support GHO with 5.5% of veBAL later this week and 7.7% upon Aave DAO converting its B-80BAL-20WETH to veBAL. Subject to timing, some veBAL support from friends may taper when Aave DAO starts voting.

Estimations of BAL emissions & AURA rewards

The following estimations are based on vIAURA voting rounds & votes amount, but converted from the actual veBAL equivalent amount of support: 1 vIAURA = 0,1726 veBAL votes.

We propose Aave DAO split the veBAL voting weight as per below.

- 40% used to vote on the GHO/bb-a-USD V3 pool
- 40% used to vote on the GHO/LUSD pool
- 20% used to vote on the 80/20 wstETH/GHO pool

Do note, the voting weight can be changed periodically with each successive gauge vote.

1) Aave DAO

The split proposed below is open for discussion in the comments section. However, later sections show the significance of Aave Friends voting support. We encourage the veBAL and vAURA support to be view holistically and not just through the lens of Aave DAO's holding.

Rewards breakdown for the Aave DAO after the B-80BAL-20WETH is converted to veBAL holding:

For the three TVL scenarios being considered, the following APRs are estimated:

Naturally, TokenLogic will work with the Balancer community to redirect Balancer protocol fee funded vote incentives to preferential pools. More details can be found [here](#).

2) Friends of Aave DAO (excl. Aave DAO)

The below details are based upon discussions with various veBAL and vAURA vote holders. The data is as accurate as it can be at the time of writing and is subject to change.

Rewards breakdown according to the external support repartition:

For the three TVL scenarios being considered, the following APRs are estimated:

3) Total veBAL support (Includes Aave DAO + Friends)

This includes both Aave DAO and supporters, however this situation might not happen for long

Rewards breakdown according to the external support repartition:

For the three TVL scenarios being considered, the following APRs are estimated:

Specifications

Aave DAO is to distribute its veBAL voting weights as shown below:

- 40% used to vote on the GHO/bb-a-USD v3 pool
- 40% used to vote on the GHO/LUSD pool
- 20% used to vote on the 80/20 wstETH/GHO pool

Next steps are StrategicAssetManager contract & primary pool gauges deployments as well as veBAL lock. Once the above items are executed, the shortExecutor will implement the above gauge weight votes via the Strategic Asset Manager contract being deployed by Llama.

Alternatively, a Treasury Committee can be created and assigned the AssetManager role enabling the votes to be implemented.

Future Considerations

When presenting the analysis, there are several assumptions that affect the accuracy of the model over time. The most notable variables are mentioned below:

- TVL in the pools
- Duration of Aave Friends support
- Frequency of re-locks (maximizing the veBAL voting rights)
- Vote allocation
- Aura Boost

To reduce this dependency on external parties, TokenLogic will publish three proposals in the near future:

- Initiate Protocol Owned Liquidity (leading to increased strategic assets accumulation)

- Create Treasury Committee
- Initial GHO Liquidity Incentives Budget

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