

Summary

A proposal to decrease stablecoin Interest Rate parameters across all Aave deployments.

Motivation

Following the anticipated decrease in DSR — from 8% to 7% — we believe it is prudent to update Aave stablecoin interest rates to best align with the broader market. Previously, we [recommended](#) reducing rates concurrent with the last DSR decrease from 13% to 10% in April.

The new parameters went into effect on May 6, 2024, and thus far have helped improve rate stability and utilization rates. As part of our ongoing monitoring of broader markets, we note that MakerDAO is in the process of reducing the DAI Savings Rate, which could impact stablecoin rates throughout DeFi.

Ethereum USDC

Ethereum USDT

Ethereum DAI

Following our methodology laid out in previous [recommendations](#), we recommend closely aligning Slope1 with the DSR to reduce the opportunity of rate arbitrage and ensure that Aave remains competitive. As a result, we propose decreasing Slope1 to 0.5% below the DSR, setting it at 6.5%.

Caveats:

1. We do not recommend an update to lower-cap stablecoins on Ethereum V2, as they are currently being deprecated.
2. Similar to the previous proposals, we do not recommend a change on bridged USDC (USDC.e/USDbC) on all deployments. This way, they will have a higher Slope1 to motivate the borrowing of native USDC.

Specification

Market

Asset

Current Slope1

Recommended Slope1

Ethereum V2

USDC

9%

6.5%

Ethereum V2

USDT

9%

6.5%

Ethereum V2

DAI

9%

6.5%

Ethereum V3

USDC

9%

6.5%	
Ethereum V3	
USDT	
9%	
6.5%	
Ethereum V3	
FRAX	
9%	
6.5%	
Ethereum V3	
DAI	
9%	
6.5%	
Ethereum V3	
LUSD	
9%	
6.5%	
Ethereum V3	
pyUSD	
9%	
6.5%	
Ethereum V3	
crvUSD	
9%	
6.5%	
Avalanche V3	
USDC	
9%	
6.5%	
Avalanche V3	
USDT	
9%	
6.5%	
Avalanche V3	
DAI	
9%	
6.5%	

Avalanche V3

FRAX

9%

6.5%

Polygon V3

USDC

9%

6.5%

Polygon V3

USDT

9%

6.5%

Polygon V3

DAI

9%

6.5%

Polygon V3

EURA

9%

6.5%

Polygon V3

EURS

9%

6.5%

Polygon V3

jEUR

9%

6.5%

Optimism V3

USDC

9%

6.5%

Optimism V3

USDT

9%

6.5%

Optimism V3

DAI
9%
6.5%
Optimism V3
sUSD
9%
6.5%
Optimism V3
LUSD
9%
6.5%
Optimism V3
MAI
9%
6.5%
Arbitrum V3
USDC
9%
6.5%
Arbitrum V3
USDT
9%
6.5%
Arbitrum V3
DAI
9%
6.5%
Arbitrum V3
LUSD
9%
6.5%
Arbitrum V3
FRAX
9%
6.5%
Arbitrum V3
EURS

9%

6.5%

Base V3

USDC

9%

6.5%

Metis V3

m.USDC

6%

No Change

Metis V3

m.USDT

6%

No Change

Metis V3

m.DAI

6%

No Change

BNB Chain V3

USDT

9%

6.5%

BNB Chain V3

USDC

9%

6.5%

BNB Chain V3

FDUSD

9%

6.5%

Scroll V3

USDC

9%

6.5%

Gnosis V3

WXDAI

9%

6.5%

Gnosis V3

USDC

9%

6.5%

Gnosis V3

EURc

9%

6.5%

Next Steps

1. Following community feedback, submit an Aave Improvement Proposal (AIP) to implement the proposed updates.
2. We believe this adjustment will align the protocol's rates more closely with current market conditions and borrower behavior. Based on the outcomes, potential future steps include:
3. Further adjustment of Slope1:

Depending on the market's and community's response to the initial adjustment, additional adjustments in Slope1 could be considered to further optimize the IR curves.

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As always, our priority remains to monitor these developments closely and provide timely, data-driven recommendations to maintain Aave's competitive edge and market responsiveness.