Title: [TEMP CHECK] Onboard sUSDe to Aave V3 on Ethereum

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Summary

[Ethena](#) is seeking community support for adding sUSDe to Aave V3 on Ethereum.

Motivation

[Ethena](#) is a synthetic dollar protocol built on Ethereum that will provide a crypto-native solution for money not reliant on traditional banking system infrastructure, alongside a globally accessible dollar denominated savings instrument - the 'Internet Bond'.

Ethena's synthetic dollar, USDe, provides a stable crypto-native solution for money achieved by delta-hedging staked Ethereum collateral. USDe is fully collateralized and free to compose throughout DeFi.

USDe

peg stability is ensured through the use of delta hedging derivatives positions against protocol-held collateral.

sUSDe is the staked version of USDe which earns yield from the protocol.

USDe has already seen extensive use throughout DeFi, making this an interesting asset to onboard to Aave v3.

For example, liquidity on Curve is already over >100m:

- https://dune.com/hildobby/ethena

- https://dune.com/hodlduck/ethena-rank

- https://dune.com/noxiousq/ethena-usde

USDe is currently the 4th highest volume asset in the whole of Ethereum behind ETH, USDC, USDT[Uniswap Interface](#)

There are also many synergies between USDe and GHO. The GHOTHENA pool is currently the deepest liquidity pool for GHO on chain and Ethena is looking to build a cooperative relationship to grow together.

Because of sUSDe's high yield, it is expected that its addition as collateral will create strong borrow demand for looping strategies similar to sDAI.

Specification

USDe

derives its peg stability from executing automated and programmatic delta-neutral hedges with respect to the underlying collateral assets.

Hedging the price change risk of the collateral asset in the same size ensures the change in value of the collateral asset is offset by the change in value of the hedging leg.

This ensures the synthetic USD value of the collateral remains relatively stable in all market conditions.

Considering the recent launch of sUSDe and current scaling plans, further proposals will suggest conservative LTVs and borrow caps in order to thoughtfully scale sUSDe as collateral.

Key Information

- Users are able to acquire USDe in permissionless external liquidity pools.

- Approved parties from permitted jurisdictions who pass KYC/KYB screening are able to mint

& redeem

USDe

on-demand with Ethena Labs contracts directly which will include only market making entities.

- There is no reliance upon traditional banking infrastructure as trustless collateral is held and stored within the crypto-system. USDe

is fully backed by users' deposits at all times.

- Users are also able to complete Cross Market Arbitrage by minting & redeeming

USDe

with Ethena and trading USDe

in external markets such as Binance or Curve pools to capture price dislocations.

Risks

The protocol is exposed to various risks including but not limited to:

- Smart Contract Risk

- External Platform Risk

- Liquidity Risk

- Custodial Operational Risk

- Exchange Counterparty Risk

- Market Risk

Useful Links:

Ethena.fi

Ethena documentation

Twitter links

Fundraising news

Disclaimer:

This proposal is powered by Skywards. The Aave Chan Initiative is not directly affiliated with Ethena and did not receive compensation for creation this proposal.

Next Steps

1. If consensus is reached on this [TEMP CHECK], escalate this proposal to the Snapshot stage.

2. If the Snapshot outcome is YAE, this proposal will be escalated to ARFC stage.

3. Publication of a standard ARFC, collect community & service providers feedback before escalating proposal to ARFC snapshot stage.

4. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal.

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