

title: [ARFC] Aave Liquidity Committee Funding Phase III

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# Summary

This publication proposes funding the Aave Liquidity Committee (ALC) with 600k GHO to continue supporting GHO's liquidity and DeFi integrations over the next three months on Ethereum.

The ALC will be funded by 375,000 ARB on Arbitrum from the LTIPP submission by the [@ACI](#).

## Motivation

As GHO continues to grow on Ethereum, there is an increasing need for deeper liquidity to facilitate greater swap sizes with minimal price impact. Providing a great UX for larger swaps is a prerequisite for enabling more sophisticated and larger DeFi users to transition into GHO.

As GHO expands to other networks, like Arbitrum with others to follow, the ALC aims to develop a liquidity strategy and drive efforts that create utility to support the adoption of GHO on each new deployment.

## Ethereum

### Phase II Update

Over the last three months, the Aave Liquidity Committee has actively supported GHO liquidity across various DEXes and coordinated several key initiatives, leading to improved swap conditions.

Some of the notable achievements are mentioned below:

- GHO trading at peg
- Deeper on-chain DEX liquidity (Increase from 13M to over 32M)
- Borrow Cap increased from 32M to 85M
- Improved peg resilience
- Both USDC and USDT GSMs are funded
- Cowswap & Paraswap have integrated various GHO liquidity pool types
- Cowswap has integrated both USDC and USDT GSMs

In combination with other efforts like stkGHO, ALC-led initiatives have played a critical role in supporting GHO's peg recovery. The peg has recovered, the two GSMs are funded, and there is now over 32M in DEX liquidity pools. The vast majority of the DEX liquidity is nominated in the non-GHO trading pair.

Maverick has been a critical tool for helping recover the peg. As GHO appreciated, several Boosted Positions were deployed providing additional liquidity depth to prevent GHO from retracing. With the imminent launch of Maverick v2, new pools will be deployed and liquidity will be reconstructed to reflect recent trading history.

### Phase III Lookahead

As GHO continues to grow, there is a genuine requirement for deeper liquidity to accommodate larger swaps on a more consistent basis. During Phase III, the ALC will focus on the following key areas:

- Reduced price volatility
- Deeper structured concentrated liquidity
- Grow non stable-coin-paired liquidity pools

With several ongoing efforts to onboard larger GHO users, this creates a need to consistently accommodate increasingly larger swaps with minimal price impact. In the months ahead we expect several builders to transition to GHO.

Achieving 50M of DEX liquidity across various integrations remains a key focus. Initiatives like adding the GHO/USDC ECLP

to the Safety Module (SM) will help achieve this goal. Other efforts include increasing the amplification on the Balancer 3pool, which are also helping facilitate larger swaps. The anticipated Maverick airdrop is also expected to contribute towards growing liquidity by complementing GHO emissions.

Supporting the growth of GHO utility in collaboration with Aave Grants DAO has resulted in several integrations. The ALC will continue to promote integrations and create utility supporting broader adoption.

In the near term, we expect broader market conditions to improve. This is likely to result in increased liquidity costs for sustaining existing LP deposits and also elevated costs for attracting new liquidity deposits. The ALC is receiving feedback from various fund managers of increasing hurdle rate expectations for new capital deployments. This can largely be attributed to opportunity costs and risk-adjusted returns from competing yield sources.

The proposed Ethereum budget for Phase III:

Objective

Previous Budget

Proposed Budget

Liquidity + Utility

500,000 GHO

600,000 GHO

## Arbitrum

With the launch of GHO on Arbitrum being imminent, the ALC aims to design a liquidity strategy and support creating utility for GHO within the ecosystem. The initial strategy is likely to feature ECLPs on Balancer via Gyroscope, concentrated liquidity on Maverick v2 when deployed, and possibly other DEXes.

A general update on GHO's liquidity launch is mentioned below:

- GHO/(a)USDC ECLP - Included in the Arbitrum SM
- GHO/USDe ECLP - Partnership with Ethena, Gyroscope, and Balancer
- (d)GHO/GYD ECLP - Partnership with Gyroscope and possibly Gearbox
- GHO/USDC/USDT - Balancer v2
- GHO/USDC - Maverick v2 upon launch

Other pools are being evaluated as we progressively work towards finalising the GHO launch liquidity plans.

The proposed Arbitrum budget for Phase III, which excludes SM Emission, is shown below:

Objective

Proposed Budget

Liquidity + Utility (excl. SM)

375,000 ARB

## Performance Metrics

The below details some high-level GHO metrics we propose tracking:

Description

Ethereum Value

Arbitrum Value

TVL DEX Liquidity Pools

50M

30M

TVL Utility Liquidity Pools (Excl. stkGHO)

15M

10M

DEX Liquidity Composition

< 50% GHO (< 33% for 3pools)

< 50% GHO (< 33% for 3pools)

Swap Price Impact \$5M Swap (GHO to USDC)

< 0.10%

< 0.25%

Annualised Peg Volatility

< 5.00%

< 5.00%

Price level for >90% time

\$0.995 using [Redstone Medium Price](#)

\$0.995 using [Redstone Medium Price](#)

Please note, each of the above targets has external dependencies beyond the control of the ALC. The above table serves as a North Star for the ALC to strive towards over the next three months. Having measurable targets provides a clear direction and goal to achieve.

## Specification

Of the 2M GHO held by the ALC from AIP-115, 600,000 GHO shall be retained by the ALC and the remaining 1.4M transferred to the collector contract.

ALC Ethereum SAFE: 0x205e795336610f5131Be52F09218AF19f0f3eC60

ALC Arbitrum SAFE: TBA

## Disclosure

TokenLogic and karpatkey receive no payment for this proposal. TokenLogic and karpatkey are both delegates within the Aave community.

## Next Steps

1. Gather feedback from the community.
2. If consensus is reached on this ARFC, escalate this proposal to the Snapshot stage.
3. If Snapshot outcome is YAE, the ALC will implement the proposal.

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