Simple Summary

This AIP proposes the onboarding of the PYUSD stablecoin, minted by Paxos Trust Company, into the Aave V3 Ethereum pool.

Motivation

PYUSD is a USD-pegged stablecoin minted through Paxos. While it's still young, it has grown to a circulating supply of over $230M with strong peg resilience. Onboarding this asset into Aave will:

- Build synergies between Aave and PYUSD.

- Offer Aave users an additional stablecoin option.

- Strengthen the relationship between the PYUSD & the GHO stablecoin. (Trident may explore the deployment of a PYUSD/GHO pool)

We propose a PYUSD onboarding outside isolation mode but without collateral properties.

If the community deems that PYUSD as collateral is immediately viable we stand ready to support that role on day one; otherwise following PYUSD maturity, the Aave governance can propose a collateral activation for PYUSD at a later stage.

Specification

Ticker: PYUSD

Contract address: [0x6c3ea9036406852006290770bedfcaba0e23a0e8

](https://etherscan.io/token/0x6c3ea9036406852006290770bedfcaba0e23a0e8)Price Feed: 0x8f1df6d7f2db73eece86a18b4381f4707b918fb1

Chainlink Oracle: https://data.chain.link/ethereum/mainnet/stablecoins/PYUSD-usd

We propose the following parameters for a PYUSD onboarding:

Parameter

Value

Isolation Mode

No

Borrowable

Yes

Collateral Enabled

No

Supply Cap (PYUSD)

25M

Borrow Cap (PYUSD)

20M

Debt Ceiling

N/A

LTV

N/A

LT

N/A

Liquidation Bonus

N/A

Liquidation Protocol Fee

10.00%

Variable Base

0.00%

Variable Slope1

7.00%

Variable Slope2

80.00%

Uoptimal

80.00%

Reserve Factor

10.00%

Stable Borrowing

Disabled

Stable Slope1

13.00%

Stable Slope2

300.00%

Base Stable Rate Offset

3.00%

Stable Rate Excess Offset

8.00%

Optimal Stable To Total Debt Ratio

20.00%

Flashloanable

No

Siloed Borrowing

No

Borrowed in Isolation

No

Liquidity and Market Cap

The PYUSD token was introduced a few months ago, and since its launch, its market cap has increased to approximately $230million. Over the coming weeks the pool will be scaled further with incentives in order to reach the necessary liquidity to support the proposed market parameters.

When analyzing market cap and trading volumes of assets for listing, we look at the available historical data. The 30 Day average Market Cap of PYUSD is $170M with a 30 day average volume of $4.7M. Over the last 7 days, the average Market cap has climbed to $209M with the same period seeing an average volume of $8.7M, the volume and aum increase is on the back of prior stakeholder efforts and we expect both to grow meaningfully in the coming weeks.

With peg holding well since inception, an average intra-day volatility of ~0.01%, and the ability of onboarded institutional investors to redeem PYUSD 1:1 with Paxos, we see low risk related to the stability of PYUSD's price.

Initial Supply and Borrow Caps

PYUSD circulating supply is ~$230M. Given PYUSD is a new asset listing, we recommend adopting a conservative approach for setting supply and borrow caps for PYUSD, which gives room to expand caps should cap usage be elevated. We recommend a supply cap of 25M and a borrow cap of 20M.

Variable Borrow Rate

We recommend setting slope 1 to 7% due to current on-chain stable yield opportunities which we believe will remain viable for the foreseeable future.

Borrowable in Isolation

We do not see excess risk with enabling PYUSD being borrowable in isolation. If the community wishes to take a more conservative stance, it may wish to only limit PYUSD borrowing to non-isolated collateral.

Next Steps:

1. Gather community feedback on this TEMP CHECK.

2. If consensus is reached, escalate this proposal to TEMP CHECK snapshot stage.

3. If TEMP CHECK snapshot outcome is YAE, escalate to ARFC stage.

4. If consensus on ARFC stage is reached and risk service providers provide feedback on risk parameters, escalate to ARFC snapshot stage.

5. If ARFC snapshot stage outcome is YAE, escalate to AIP stage

Disclosure

@mv_Trident works with Trident who has been contracted by Paxos in order to improve the on-chain liquidity and utility of its issued assets.

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