

# [TEMP CHECK] Deploy an Etherfi/Stablecoin Aave v3 Instance

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Date: 2024-07-05

## Summary

This proposal suggests deploying an Aave v3 instance focused on providing liquidity for weETH holders to borrow stablecoins.

## Motivation

The demand for borrowing weETH on Aave using weETH as collateral is extremely high, with caps being filled within minutes each week.

While this \$2B growth is welcomed and responsible for ~\$12.5M yearly revenue (at current ETH prices) for the DAO, it has created some frustration for significant users looking to borrow stablecoins using their weETH as collateral.

With this asset being constantly at cap, users are wary of leveraging Aave for this use case as they have legitimate concerns about their ability to add more collateral/debt to (de)leverage following market conditions.

To provide weETH holders with more suitable options, we propose creating a dedicated weETH/stablecoin Aave v3 Instance.

This market also lays the groundwork for future integrations & synergies with EtherFi's Cash product.

## Specification

The proposed weETH/Stablecoin Aave v3 instance will implement the following:

- The market will include weETH, USDC, and a new GHO facilitator.

This GHO facilitator will be one of the highest quality collateral having only an eth-correlated asset as collateral.

- This market will not have E-Mode, but due to its focused nature and limitation of cross-collaterals, it's proposed to have a higher LTV/LT status for weETH than for the main instance.
- For the first 6 months, the GHO borrow rate will be slightly lower than on the main Aave instance to kickstart liquidity & boost demand.

The risk steward will dynamically adjust weETH supply caps based on stablecoin liquidity to ensure stablecoin borrowing remains viable.

- The GHO stewards will maintain the Exposure and borrow caps of this new GHO facilitator to keep tight control on GHO peg & liquidity.

In addition, we propose that the Aave DAO consider the following:

- Introduce a stablecoin deposit incentive program to kickstart stablecoin liquidity in this new instance using Merit or other initiatives to be discussed.

The deployment will be handled by Catapulta on behalf of the Aave DAO.

## Disclaimer

The ACI has not been compensated by Etherfi for the publication of this proposal.

The ACI and several ACI team members are both weETH and ETHFI holders.

## 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, escalate to the ARFC stage.
3. Publish a standard ARFC and collect community & service provider feedback before an ARFC snapshot.

4. If the ARFC snapshot passes, publish an AIP vote for final confirmation and enforcement.

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