

Title:

[ARFC] Increase GHO Borrow Rate 08-03-2024

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Motivation

With the evolving market dynamics and the increasing popularity of GHO as a stablecoin option, it is necessary to maintain competitiveness by aligning borrowing costs with average market rates. The current GHO borrow rate of 7.22% APR (~7.48% APY) no longer meets this requirement.

AIP-381 allows for 100 bps increases in the GHO borrow rate every 7 days while maintaining rates up to 9.5% APR if the monthly average price of GHO stays outside a 0,995<>1,005 price range. The peg has shown improvement but remains below the target.

Monthly Average Borrow Cost (APR)

Stablecoin

10.45%

DAI

10.89%

LUSD

10.91%

USDC

11.87%

USDT

Source: [TokenLogic | GHO Analytics](#)

Increasing the non-discounted borrow rate of GHO from 7.22% to 7.92% is proposed to remain competitive, increase protocol revenue, and not negatively affect the peg.

Specification

- Current Borrow Rate:

7.22% APR - ~7.48% APY (non-discounted)

- Proposed Borrow Rate:

7.92% - ~8% APY (non-discounted)

- Discounted Rates:

30% discount

- New Discounted Borrow Rate:
- GHO: ~5.6% APY
- GHO: ~5.6% APY

If required, ACI will monitor the GHO peg and use authorized discretion for further rate adjustments in coordination with [@karpatkey_TokenLogic](#) Aave finance SPs.

Next Steps

1. Implement the proposed borrow rate increase via a Direct-to-AIP process.
2. Monitor GHO's peg and use authorized discretion for further rate adjustments.

Disclaimer

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