title: [TEMP CHECK] Integrating MakerDAO's DSR into Aave V3 Ethereum Pool

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Abstract

This TEMP CHECK proposes integrating MakerDAO's Dai Savings Rate (DSR) into Aave V3 ETH pool. This would be achieved by integrating sDAI, an ERC-4626 Vault token that includes the DSR yield, into the Aave protocol.

Motivation

The DSR is a variable rate set by MakerDAO governance that allows DAI holders to earn savings by locking their DAI into the DSR contract. Recently, MakerDAO governance plans to increase the DSR rate to 3.49%. By integrating the DSR into Aave via sDAI, we can allow Aave liquidity providers to benefit from the DSR rate without additional cost to the Aave DAI borrowers.

Specification

At the protocol level, when a user deposits DAI, the protocol will wrap their DAI in the form of sDAI and deliver aDAI to the user. When a user borrows DAI, the protocol will unwrap the stored sDAI, deliver DAI, and accrue the debt amount in DAI.

Limitations

This integration will have the consequence of increasing the gas cost of using DAI in Aave for every user. The exact impact of these gas cost increases should be reviewed and considered by the community during the ARFC stage of this proposal.

Next Steps

If this TEMP CHECK receives positive feedback and a Snapshot vote outcome is YAE, the next step would be to draft an ARFC

detailing the technical implementation of this integration.

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