Title: [ARFC] Aave V3 Deployment on Celo

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# Summary:

This ARFC proposes the deployment of Aave V3 on Celo to expand Aave real-world lending and green asset collateral to users around the world, with the provision of rewards to bootstrap liquidity as outlined in the motivation section.

# Abstract:

Upon approval by the Aave community, Aave V3 will be deployed on Celo with a selection of suitable assets for collateral, including CELO, WETH, USDC and cUSD. This deployment aims to enhance the growth and collaboration between the Aave and Celo communities, providing new opportunities for both ecosystems. For more details on Celo's real-world usage and key features, please refer to the temp check.

# Motivation:

Deploying Aave V3 on Celo presents potential benefits for both Aave and Celo ecosystems. The Celo ecosystem offers a unique value proposition featuring real-world usage and ReFi. As Aave will be given a prominent role on Celo, this deployment offers Aave differentiated expansion and revenue opportunities.

1. Expand AAVE's utility and user base

: Celo's mobile-first community has grown significantly over the past few months led by key launches that have brought in returning real-world users in emerging markets.

1. Real-world DeFi and ReFi use cases

: Aave will be heavily utilized, particularly in emerging markets where Celo has a growing presence, with protocols like GoodDollar and Grassroots Economics.

1. Bootstrap growth and liquidity

: The Celo Foundation will allocate 0.5% of CELO circulating supply as an incentive for Aave users to support the adoption and bootstrap growth on Celo. This deployment will bring new users to the Aave platform and reach more users from the Celo community. The Celo Foundation can also support Aave DAO in setting up a verified node for the Celo network (subject to technical requirements being met and voting by the community) for which Celo can provide a grant.

1. Mento protocol liquidity support

: The Mento protocol proposed returning 120M CELO to the Celo Community Fund, which the Celo community has expressed interest in placing in Aave to boost on-chain liquidity for CELO (pending a governance process). More details here. Additionally, a $10M CELO / wETH pool is now live on Uniswap.

1. Natural capital-backed assets

: In the long-term, this Celo x AAVE deployment has the potential to expand into assets such as tokenized carbon credit and other ReFi assets (conditional upon rigorous liquidity and credit assessments by Chaos Labs and others).

# Specification:

The ARFC suggests deploying Aave V3 on Celo with the following assets for collateral: WETH, USDC, CELO and cUSD. The table below combines both risk managers' suggested risk parameters for each asset. The bolded values are Gauntlet's more liberal recommendations. Over time, we expect we can continue to increase caps as the Celo blockchain grows through the development of more real-world use cases and the transition to an L2 on Ethereum.

Risk Parameters

WETH

USDC

CELO

cUSD

Isolation Mode

NO

NO

NO

YES

Enable Borrow

YES

YES

YES

YES

Enable Collateral

YES

YES

NO

YES

Emode Category

N/A

N/A

N/A

N/A

Loan To Value

80%

75%

N/A

70%

Liquidation Threshold

82.5%

80%

N/A

75%

Liquidation Bonus

5%

5%

N/A

5%

Reserve Factor

15%

10%

15%

10%

Liquidation Protocol Fee

10%

10%

10%

10%

Borrow Cap

300

2,000,000

1,000,000

3,400,000

Supply Cap

300

2,000,000

1,000,000

4,300,000

Debt Ceiling

N/A

N/A

N/A

TBD

uOptimal

80%

80%

45%

75%

Base

1%

0%

0%

0%

Slope1

3.8%

4%

7%

5%

Slope2

80%

60%

300%

75%

Stable Borrowing

Disabled

Disabled

Disabled

Disabled

Stable Slope1

13.00%

13.00%

13.00%

13.00%

Stable Slope2

300.00%

300.00%

300.00%

300.00%

Base Stable Rate Offset

3.00%

3.00%

3.00%

3.00%

Stable Rate Excess Offset

5.00%

5.00%

5.00%

5.00%

Optimal Stable To Total Debt Ratio

20.00%

20.00%

20.00%

20.00%

Flashloanable

YES

YES

YES

YES

Siloed Borrowing

NO

NO

NO

NO

Borrowed in Isolation

NO

YES

NO

NO

# Deployment Checklist:

- Feedback from both risk service providers

- BGD Labs Infrastructure/technical evaluation Report

- Oracle recommendation

([Chainlink](#))

- The graph support

- Cross-chain messaging infrastructure for governance

# Disclaimer

Michigan Blockchain is not compensated in any form by Celo or creating this ARFC proposal. This ARFC has been prepared solely to facilitate community discussion.

At the time of writing, the author owns ~70$ worth of assets on the Celo chain.

# Next Steps

1. Integrate BGD Labs Infrastructure/technical evaluation report once available.

2. Refine the ARFC based on community feedback and risk service provider recommendations.

3. If consensus is reached and the proposal is refined, submit the ARFC for a snapshot vote for final approval.

4. If consensus is reached, submit a deployment AIP to activate Aave V3 on Celo.

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