

title: [ARFC] GHO Stewards + Borrow Rate Update

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## Summary

In response to recent market events, this publication proposes increasing the GHO Borrow Rate and amending GHO Steward's capabilities to better respond to varying market conditions.

## Motivation

In response to recent stable coin rates increasing and Maker DAO's recently proposed changes [detailed here](#), this publication seeks to amend the current GHO Interest Rate strategy and better equip the GHO Stewards to respond to evolving market conditions.

Given Maker is progressing via an accelerated progress, we suggest the Aave DAO should implement this proposal via the Direct-to-AIP progress. The GHO Borrow Rate is to be adjusted from 7.49% to 15.00% to match the [DSR](#).

The chart below shows the last 7 days hourly borrow rates.

The table below shows the average Borrow Rate over longer duration time horizons. There is a clear trend which is also noted in this [ARFC](#).

The Maker DAO proposal is expected to lead to higher borrowing rates. To enable GHO to continue growing with improved peg stability, this proposal acts to heavily reduce the Borrow Rate arbitrage opportunity created by incrementally increasing the GHO Borrow Rate within the current approved Direct-to-AIP process.

This publication grants the GHO Stewards additional flexibility. The maximum the GHO Borrow Cap implemented by the GHO Stewards is to be increased from 50M to 100M. This clears the path forward in the near term as we look to grow GHO supply.

In addition, the Max GHO Borrow Rate Adjustment has been revised from 0.50% to 5.00% to enable the GHO Stewards to better accomodate potential volatility in the market. This is a maximum limit for which the Borrow Rate can be changed at any one time.

The frequency at which the Borrow Rate can be adjusted is to be reduced from 5 days to 2 days. This provides the ability to move quickly when larger Borrow Rate changes are needed over short spans of time.

The overall maximum GHO Borrow Rate that can be implemented by the stewards is 25.00%. As a result, the GHO Stewards can increase the Borrow Rate by a maximum of 5.00%, every 2 days, up to a maximum of 25.00%.

With the volatility of GHO trending lower over time and the peg improving, the previous requirement, "the monthly average price of GHO stays outside a 0.995<>1.005 price range" relating to the GHO Stewards ability to adjust the Borrow Rate is to be removed. This grants the GHO Stewards the ability to increase the Borrow Rate independent of GHO price performance.

## Specification

Implement the following changes:

Description

Current (%)

Proposed (%)

Non Discounted Borrow Rate

7.48%

15.00%

stkAAVE Discount

30.00%

30.00% (no change)

## Discounted Borrow Rate

5.24%

10.50%

In addition to implementing the above changes, upon a successful AIP vote, this publication grants the GHO Stewards the ability to increase the GHO Borrow Cap up a maximum of 100M.

The GHO Stewards can increase the GHO Borrow Rate by a maximum 5.00% over a 2-day period up to a maximum of 25.00%.

## Description

Current

Proposed

GHO Borrow Cap

50M

100M

Max GHO Borrow Rate Adjustment

0.50%

5.00%

Max GHO Borrow Rate

9.50%

25.00%

Minimum Frequency of Change

7-Days

2-Days

All other parameters that the GHO Stewards can change remains the same and for easy reference, are shown below:

## Description

[\[ARFC\] GHO Stewards](#)

GHO Aave Bucket Capacity

100% Increase

GSM Exposure Cap

100% Increase

GSM Bucket Capacity

100% Increase

GSM Price Strategy

GSM Fee Strategy

- 0.5%

GSM Price Range

(Freeze, Unfreeze)

# Disclosure

TokenLogic, ACI, Chaos Labs and karpatkey receive no payment for this proposal. TokenLogic, ACI and karpatkey are both delegates within the Aave community.

## Next Steps

1. Gather feedback from the community.
2. If community is supportive, submit an AIP using the Direct-to-AIP process to enact the proposed changes swiftly.

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