

Summary

With this publication, Chaos Labs proposes to increase the bucket capacity of the GHO FlashMinter on Ethereum.

Motivation

Following significant growth in the supply of GHO this year, it is appropriate to address a parameter that has not been updated since GHO's launch: the FlashMinter bucket capacity.

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GHO Market Cap

819×275 14.6 KB

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Currently, the capacity is set to 2M GHO, indicating that users are able to flashmint up to 2M GHO; this has the potential to be an important feature given that GHO cannot be flashloaned from Aave like a traditional ERC-20 on Ethereum.

However, since August 1, 2024, we have observed just four transactions worth over 1M GHO, with the [largest](#) being a 1.45M GHO Swap Debt

transaction; the [user](#) repaid USDT debt (likely because borrow rates exceeded 40% APY) and borrowed GHO.

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GHO Flashminter Transactions

1584×1090 113 KB

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The ParaSwapDebtSwapAdapter, as described on [Github](#) and by BGD Labs on Aave [governance](#), allows users to swap their debt assets without affecting collateral or requiring the sourcing of the debt asset, primarily utilized to arbitrage borrow APY and exit illiquid debt positions.

This time period encompasses multiple highly volatile market events, especially including August 5 (866K worth of transactions total, 2 transactions) and December 11 (1.974M total, 2 transactions)

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Flashmints of GHO by Day

791×544 32 KB

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Additionally, we have observed no blocks with multiple addresses flash-minting GHO, indicating that there is not significant and varied demand to do so.

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Flashmints of GHO by Block

1582×1082 88.2 KB

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While there is no direct indication that the current bucket capacity is not sufficient, the increased usage by the ParaSwapDebtSwapAdapterV3GHO contract, the growth of GHO circulating supply and the growth of the overall stablecoin market and stablecoin-denominated debt positions, lead us to recommend doubling the GHO FlashMinter bucket size on Ethereum. This could continue to become more highly utilized as other stablecoin borrow rates are elevated and users wish to debt swap into GHO.

Specification

Facilitator

Current Capacity

Recommended Capacity

FlashMinter

2,000,000

4,000,000

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