

This thread is to bootstrap the discussion about the initial distribution of the AAVE reserve for safety and ecosystem growth. As readers might already know, 3M AAVE will be allocated in the reserve, and these 3M will need to be properly distributed between the Safety Module (to safeguard the protocol against shortfall) and the protocol liquidity providers to incentivize growth.

The team proposal covers the first year of AAVE emission, and is defined as follows:

1. 685 AAVE/day allocated for the Safety Incentives (aka staking rewards) - 250K AAVE allocated for the first year
2. 685 AAVE/day allocated for the Ecosystem Incentives ("Liquidity mining") 250K AAVE allocated for the first year
3. 2.5K AAVE allocated as further incentive to move the AAVE accrued through ecosystem incentives in the safety module, instead of claiming them to the wallet. This will result in a 1% bonus for every user that automatically locks their AAVE accrued within the ecosystem incentives in the Safety Module.

this results on 16.6% of the 3M available in the reserve (0.5025 Million) allocated in the first year

The rationale of this proposal:

1. Promote safety through the concept of safety mining. Users contributing to the SM cover the extremely important role of long term sustainability for the protocol, protecting against shortfall events. Therefore an extremely relevant aspect that needs to be properly incentivized
2. Leverage ecosystem incentives to redistribute governance power and incentivize organic growth. The goal is to attract users that bring real volume and usage.
3. Reduce the "opportunistic mining" of the ecosystem incentives, but actually stimulate the users involvement in safety and governance.

This discussion is a starting point for the upcoming AIP and governance vote, and it's based on in-depth research of the dynamics of the yield farming and staking models. The goal is to have the community decide on this critical aspect of the AAVE emission scheme.

Related documents:

Aavenomics proposal

<https://docs.aave.com/aavenomics>

Aavenomics flashpaper

docs.aave.com

[Flashpaper](#)

A synthesis of the Aavenomics

UPDATE 1

The community seems to favor a quarterly emission rather than a first year emission. The reevaluation of the emission each quarter allows to adapt to the fast pace of defi incentives.

The community seems to agree with an emission of 685 AAVE/day for the Ecosystem Incentives (for protocol growth)

The community seems in favor of raising the AAVE emission for the staking rewards (aka Safety Incentives). Considering that 685 AAVE/day equal to a yearly emission 250K AAVE, which is essentially slightly less than 2% APR with the Safety Module completely full (the whole AAVE supply locked in it)

One idea could be to double this amount for the first 4 months, to incentivize early migration, staking and also locking of the initial ecosystem incentives. This would equal to an emission of 1370 AAVE/day, equivalent to a 4% APR with the stake full.