[TEMP CHECK] Deploy Aave v3 on BOB

Author: ACI (Aave Chan Initiative)

Date: 2024-12-18

Simple Summary

:

This TEMP CHECK proposes the deployment of an Aave V3 pool on BOB, a hybrid L2 that strives to combine the best of Bitcoin and Ethereum.

Summary

BOB ("Build on Bitcoin") is a Hybrid Layer-2 blockchain that combines the best of Bitcoin and Ethereum to create the home for Bitcoin DeFi. The unique Hybrid L2 model merges the strengths of both ecosystems—Bitcoin's security and dormant capital, with Ethereum's DeFi innovation and versatility. As a [Hybrid L2](#) BOB will inherit security from Bitcoin, as the most secure and decentralized network. Bitcoin security is then used to create trust-minimized bridges to Bitcoin (via BitVM2), Ethereum, and eventually other L1s. As a result, the Hybrid L2 does not need to rely on third-party bridges for interoperability, concentrating liquidity around Bitcoin instead of fragmenting it across chains.

BOB's mainnet Phase 1 has been live since May 2024, bootstrapped as an ETH L2 and member of the OP Superchain with an ecosystem of 100+ projects live or building (incl. Uniswap, Solv, Sovryn etc.). BOB has successfully captured the growing interest in Bitcoin staking and yield-bearing assets, achieving [~$250m in DeFi TVL](#) and [320k unique users](#) since launch and growing. BOB supports decentralized tBTC as well as institutional wBTC, FBTC and SolvBTC as BTC bridges (more soon), as well as numerous Bitcoin LSTs including SolvBTC.BBN, Lombard LBTC, UniBTC and PumpBTC (more soon). The novel [BOB Stake](#) product allows holders to deploy BTC into any BTC DeFi position with just 1 Bitcoin transaction (via intents) and has been used by 28k users.

BOB is an active contributor to BitVM (co-founder Alexei is one of the co-authors of the[BitVM2 and BitVM Bridge technical paper](#), the design currently being implemented on the[official open-source repository](#)). As of today, BitVM is the only known solution that can achieve trust-minimized and arguably "non-custodial" Bitcoin bridging and unlock billions of USD in dormant BTC liquidity. BOB mainnet Phase 2 which introduces Bitcoin finality and the trust-minimized BitVM bridge will be rolling out in Q1 2025.

Reasons for deployment

1. First mover in Bitcoin DeFi and BTC LSTs

2. With a deployment on BOB, Aave can solidify its position as the leading marketplace for BTC loans, and capture the growing BTC LST market. Already [$6bn](#) of BTC have been staked within months of Babylon launch. Drawing parallels to the success of ETH LSTs (46bn), we anticipate a 200bn+ BTC staking market in the next 3-5 years given Bitcoin's market size.

3. Currently [$4bn](#) of wBTC are deployed into Aave without generating any interest. By allowing users to build up leveraged BTC LST positions, we confidently estimate Aave can generate 3-5% APY for wBTC holders. This could result in up to $250m in monthly borrowing fees, not accounting for additional liquidation and flash loan fees.

4. BOB and Babylon are strategic partners: as a Bitcoin-Secured Network, BOB's network fees contribute to the rewards of BTC stakers. This creates a positive reinforcement loop: the more BTC LST liquidity on BOB, the more DeFi activity, the more fees accrue to BTC stakers. This encourages more BTC to be staked, which brings more DeFi activity, and the flywheel continues.

5. All major Bitcoin LSTs are already supported on BOB: SolvBTC, Lombard LBTC, UniBTC, PumpBTC with 200m+ deployed, and more integrations on the way. This makes BOB the best place for BTC LST DeFi.

6. With a deployment on BOB, Aave can solidify its position as the leading marketplace for BTC loans, and capture the growing BTC LST market. Already [$6bn](#) of BTC have been staked within months of Babylon launch. Drawing parallels to the success of ETH LSTs (46bn), we anticipate a 200bn+ BTC staking market in the next 3-5 years given Bitcoin's market size.

7. Currently [$4bn](#) of wBTC are deployed into Aave without generating any interest. By allowing users to build up leveraged BTC LST positions, we confidently estimate Aave can generate 3-5% APY for wBTC holders. This could result in up to $250m in monthly borrowing fees, not accounting for additional liquidation and flash loan fees.

8. BOB and Babylon are strategic partners: as a Bitcoin-Secured Network, BOB's network fees contribute to the rewards of BTC stakers. This creates a positive reinforcement loop: the more BTC LST liquidity on BOB, the more DeFi activity, the more fees accrue to BTC stakers. This encourages more BTC to be staked, which brings more DeFi activity, and

the flywheel continues.

9. All major Bitcoin LSTs are already supported on BOB: SolvBTC, Lombard LBTC, UniBTC, PumpBTC with 200m+ deployed, and more integrations on the way. This makes BOB the best place for BTC LST DeFi.

10. Trust-minimized BTC bridges

11. BOB is developing a trustless BitVM-based BTC bridge, gradually rolling out from Q1 2025 onward.

12. BOB has been actively working with tBTC since May 2024, becoming one of the largest L2s in tBTC on-chain DeFi liquidity (2nd only to Base).

13. This way BOB covers the 2 possible approaches to trust-minimized BTC bridging:

14. Best today: TSS/decentralized multisig via tBTC (n-of-m honest majority). Battletested 2+ years with 500m in TVL.

15. Best in the future: Fraud-proof based via BitVM (1-of-n, existential honesty like native ETH L2 bridges)

16. Best today: TSS/decentralized multisig via tBTC (n-of-m honest majority). Battletested 2+ years with 500m in TVL.

17. Best in the future: Fraud-proof based via BitVM (1-of-n, existential honesty like native ETH L2 bridges)

18. BOB is developing a trustless BitVM-based BTC bridge, gradually rolling out from Q1 2025 onward.

19. BOB has been actively working with tBTC since May 2024, becoming one of the largest L2s in tBTC on-chain DeFi liquidity (2nd only to Base).

20. This way BOB covers the 2 possible approaches to trust-minimized BTC bridging:

21. Best today: TSS/decentralized multisig via tBTC (n-of-m honest majority). Battletested 2+ years with 500m in TVL.

22. Best in the future: Fraud-proof based via BitVM (1-of-n, existential honesty like native ETH L2 bridges)

23. Best today: TSS/decentralized multisig via tBTC (n-of-m honest majority). Battletested 2+ years with 500m in TVL.

24. Best in the future: Fraud-proof based via BitVM (1-of-n, existential honesty like native ETH L2 bridges)

25. Aave as backend for 5m+ retail BTC users w. 1-click deposits

26. BOB allows users to deposit BTC into Aave and borrow against with just 1 BTC transaction, solving Bitcoin's long-standing DeFi UX problem. The underlying technology is the first-ever instance of [Bitcoin intents](#).

27. [BOB Stake](#), a 1-click BTC staking SDK built with Bitcoin intents, has been used by 28k users and is currently being integrated by [StakingRewards.com](#), Xverse wallet, Everstake, Pell and others - soon offering 1-click DeFi access to 5m+ BTC users.

28. BOB will integrate Aave such that BTC holders can supply BTC, borrow against BTC or run strategies with just 1 BTC transaction from all major BTC wallets. This will help position Aave as the go-to lending market for the Bitcoin community.

29. BOB allows users to deposit BTC into Aave and borrow against with just 1 BTC transaction, solving Bitcoin's long-standing DeFi UX problem. The underlying technology is the first-ever instance of [Bitcoin intents](#).

30. [BOB Stake](#), a 1-click BTC staking SDK built with Bitcoin intents, has been used by 28k users and is currently being integrated by [StakingRewards.com](#), Xverse wallet, Everstake, Pell and others - soon offering 1-click DeFi access to 5m+ BTC users.

31. BOB will integrate Aave such that BTC holders can supply BTC, borrow against BTC or run strategies with just 1 BTC transaction from all major BTC wallets. This will help position Aave as the go-to lending market for the Bitcoin community.

32. Access to Institutional BTC liquidity

33. While trust-minimized BTC bridges are the future of Bitcoin DeFi, their adoption will likely take at least another 2-3 years given the technical risks associated with new bridge technologies (feedback collected from over 50+ BTC whales and institutional LPs). BitVM is the perceived future and there is a lot of interest in its success. However, until BitVM is live on mainnet and sufficiently battle-tested, the majority of BTC liquidity prefers to use institutional custody solutions.

34. BOB already supports native minting of FBTC, SolvBTC, and BTC LSTs such as SolvBTC.BBN, Lombard LBTC, uniBTC and PumpBTC. wBTC is supported via ETH, with native minting expected in Q1 via LayerZero

35. Together with existing (Cobo) and upcoming (e.g. Fireblocks, …) institutional custody integrations, BOB is best

positioned to capture the growing institutional interest in BTC DeFi.

36. While trust-minimized BTC bridges are the future of Bitcoin DeFi, their adoption will likely take at least another 2-3 years given the technical risks associated with new bridge technologies (feedback collected from over 50+ BTC whales and institutional LPs). BitVM is the perceived future and there is a lot of interest in its success. However, until BitVM is live on mainnet and sufficiently battle-tested, the majority of BTC liquidity prefers to use institutional custody solutions.

37. BOB already supports native minting of FBTC, SolvBTC, and BTC LSTs such as SolvBTC.BBN, Lombard LBTC, uniBTC and PumpBTC. wBTC is supported via ETH, with native minting expected in Q1 via LayerZero

38. Together with existing (Cobo) and upcoming (e.g. Fireblocks, …) institutional custody integrations, BOB is best positioned to capture the growing institutional interest in BTC DeFi.

39. Best-in-class liquidity onramps

40. Trustless access to ETH and ERC20s via native L2 bridge (OP stack)

41. Native support for USDT and USDC.e via Ethereum

42. CCIP support for fast on/off-ramps

43. Direct deposits from CEXes going live Q4 2024

44. Trustless access to ETH and ERC20s via native L2 bridge (OP stack)

45. Native support for USDT and USDC.e via Ethereum

46. CCIP support for fast on/off-ramps

47. Direct deposits from CEXes going live Q4 2024

48. Support and growth of GHO in BOB's DeFi ecosystem

49. BOB is keen to support and grow GHO liquidity as parts of its DeFi liquidity campaigns. This will serve to position GHO as one of the main decentralized stablecoins borrowed / minted against BTC - taking advantage of Bitcoin's validated PMF as the best collateral asset in DeFi.

50. BOB is keen to support and grow GHO liquidity as parts of its DeFi liquidity campaigns. This will serve to position GHO as one of the main decentralized stablecoins borrowed / minted against BTC - taking advantage of Bitcoin's validated PMF as the best collateral asset in DeFi.

51. Liquidity Provision

52. BOB boasts a growing DeFi ecosystem: $350m on-chain deposits (source: Dune) of which $250m are deployed in DeFi across Tier-1 protocols (source: DeFiLlama). Notably, BOB has grown to the #5

Uniswap v3 market in just 2 months (source: DeFiLlama)

1. BOB has a conservative estimate of $200m+ in liquidity commitments for Aave across wrapped BTC and BTC LST assets.

2. BOB is a OP Superchain member and received a 750k OP grant to boost user activity and DeFi

3. BOB is ready to support the Aave deployment via a liquidity program to ensure successful bootstrapping targeting $125m in TVL of wrapped BTC assets, resulting in a total market size of $250m taking into account e-mode and BTC LST markets. BOB has also received commitments from selected LST projects to launch or extend already running liquidity programs to assist with bootstrapping.

4. Exact liquidity program details can be determined in the next phase of the deployment process.

5. BOB boasts a growing DeFi ecosystem: $350m on-chain deposits (source: Dune) of which $250m are deployed in DeFi across Tier-1 protocols (source: DeFiLlama). Notably, BOB has grown to the #5

Uniswap v3 market in just 2 months (source: DeFiLlama)

1. BOB has a conservative estimate of $200m+ in liquidity commitments for Aave across wrapped BTC and BTC LST assets.

2. BOB is a OP Superchain member and received a 750k OP grant to boost user activity and DeFi

3. BOB is ready to support the Aave deployment via a liquidity program to ensure successful bootstrapping targeting $125m in TVL of wrapped BTC assets, resulting in a total market size of $250m taking into account e-mode and BTC

LST markets. BOB has also received commitments from selected LST projects to launch or extend already running liquidity programs to assist with bootstrapping.

4. Exact liquidity program details can be determined in the next phase of the deployment process.

Technical Feasibility

1. Integration. BOB is an OP stack chain with 2 second block times and cents for fees. The chain is operated in collaboration with Conduit.In terms of developer tooling and available infrastructure, BOB matches the best in class standards of Optimism and Base. BOB currently uses ETH as fee asset during bootstrapping for compatibility, with BTC support being added via account abstraction and eventually as native fee asset as well. Since Aave is already deployed on Optimism and Base, the deployment to BOB is expected to be straightforward.

2. Price feeds. Chainlink is a strategic partner of BOB and CCIP is going live in December 2024. BOB will ensure ChainLink price feeds are available at the time of Aave deployment.

3. Technical support. BOB Foundation will provide all technical resources needed to support Aave's technical team during deployment and maintenance.

Deployment Plan

1. Phase 1: Initial Discussion

2. Gather community feedback through this TEMP CHECK.

3. Gather community feedback through this TEMP CHECK.

4. Phase 2: Detailed Proposal

5. If the TEMP CHECK indicates positive support, submit a detailed ARFC (Aave Request for Comment) outlining the technical, economic, and security aspects of the integration.

6. If the TEMP CHECK indicates positive support, submit a detailed ARFC (Aave Request for Comment) outlining the technical, economic, and security aspects of the integration.

7. Phase 3: Implementation and Monitoring

8. Upon eventual approval, deploy Aave V3 on BOB and monitor the integration closely to address any issues and ensure stability.

9. Upon eventual approval, deploy Aave V3 on BOB and monitor the integration closely to address any issues and ensure stability.

Risks and Mitigations

1. Technical Challenges:

2. BOB will work closely with Aave's developers and service providers (such as BGD and ACI) to address any technical challenges during integration.

3. BOB will work closely with Aave's developers and service providers (such as BGD and ACI) to address any technical challenges during integration.

4. Security Risks:

5. BOB is an OP Stack chain and Superchain member. The L2 is operated in collaboration with Conduit. BOB will continue working closely with OP Labs and Conduit to ensure secure operation of the OP stack L2. All privileged roles are tracked transparently [here](#).

6. In addition, BOB is currently onboarding real-time threat detection partners (provider selection ongoing).

7. BOB follows security best practices, auditing every product launch and future chain-level upgrades ([audit reports](#)), while also operating a [bug bounty program](#).

8. This is in addition to the proposal's review by Aave's risk managers, Chaos Labs and LlamaRisk.

9. BOB is an OP Stack chain and Superchain member. The L2 is operated in collaboration with Conduit. BOB will continue working closely with OP Labs and Conduit to ensure secure operation of the OP stack L2. All privileged roles are tracked transparently [here](#).

10. In addition, BOB is currently onboarding real-time threat detection partners (provider selection ongoing).

11. BOB follows security best practices, auditing every product launch and future chain-level upgrades ([audit reports](#)),

while also operating a [bug bounty program](#).

12. This is in addition to the proposal's review by Aave's risk managers, Chaos Labs and LlamaRisk.

13. Community Adoption:

14. BOB will engage with the Aave community throughout the process to ensure alignment and support. BOB's community of Bitcoin builders and enthusiasts counts over 300k members across various channels.

15. BOB will engage with the Aave community throughout the process to ensure alignment and support. BOB's community of Bitcoin builders and enthusiasts counts over 300k members across various channels.

Links and References:

- BOB

- Overview: [Notion – The all-in-one workspace for your notes, tasks, wikis, and databases](#).

- Website: https://www.gobob.xyz/

- Hybrid L2 Whitepaper: https://docs.gobob.xyz/whitepaper.pdf

- Docs: https://docs.gobob.xyz/

- Overview: [Notion – The all-in-one workspace for your notes, tasks, wikis, and databases](#).

- Website: https://www.gobob.xyz/

- Hybrid L2 Whitepaper: https://docs.gobob.xyz/whitepaper.pdf

- Docs: https://docs.gobob.xyz/

- Aave V3 Technical Documentation: [Aave Protocol Overview](#)

Disclaimer

ACI (Aave Chan Initiative) is not directly affiliated with BOB Foundation and did not receive compensation related to this proposal. Stani Kulechov, co-founder of Aave, is an early angel investor of BOB and advised on some technical parts of this proposal but did not receive any compensation related to this proposal.

Next Steps

1. Publication of TEMP CHECK, collect community & service providers feedback before escalating proposal to TEMP CHECK snapshot stage.

2. If the TEMP CHECK snapshot outcome is YAE, publish an ARFC to continue gathering community and Service Providers feedback.

3. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal.

Copyright