

[TEMP CHECK] Onboard pufETH to Aave V3 Core Instance

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Summary

Puffer Finance (<https://www.puffer.fi/>) proposes adding pufETH as a collateral asset in Aave's Ethereum V3 market. pufETH is a liquid restaking token that enables users to earn both Ethereum staking rewards and additional returns through restaking on EigenLayer. Its growing adoption, deep liquidity, and robust security measures make pufETH a strong candidate to enhance Aave's asset offerings and attract additional liquidity.

Background

pufETH is the liquid staking token of Puffer Finance, the only permissionless liquid restaking protocol built on Ethereum. By leveraging EigenLayer's restaking capabilities, pufETH allows users to participate in Ethereum's Proof-of-Stake (PoS) with as little as 2 ETH, offering enhanced returns and decentralized validator participation.

Key highlights of pufETH and Puffer Finance include:

- Grant

:

- Ethereum Foundation for developing Secure-Signer
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- Innovative design
- Leading anti-slashing design for AVSs and validators
- First preconfirmation AVS on EigenLayer with 2.8M ETH of economic security
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- First preconfirmation AVS on EigenLayer with 2.8M ETH of economic security
- High Adoption and TVL

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Puffer Finance holds over \$279 million (~80K ETH) in total value locked (TVL) within its ecosystem, with an additional \$141 million integrated across DeFi platforms like Curve, Pendle, and Karak.

- Puffer has established approximately \$11 million pools of pufETH on Curve ([Curve.fi](https://curve.fi/))
- Puffer has established approximately \$11 million pools of pufETH on Curve ([Curve.fi](https://curve.fi/))
- Security and Trust

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Puffer has been audited by 10 leading firms and employs Secure-Signer technology and anti-slashing mechanisms to safeguard user funds and validators.

Six security partners audit Puffer's code base.

- Permissionless Participation

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Puffer's anti-slashing technology allows for permissionless and decentralized validator participation, ensuring robust network security while reducing slashing risks.

- Strong Industry Backing

:

Puffer Finance is supported by top-tier investors such as Binance Labs, F-Prime, Franklin Templeton, and Coinbase Ventures.

Benefits for Aave

1. Yield Opportunities

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By listing pufETH, Aave users can earn Ethereum staking and restaking rewards in addition to traditional borrowing and lending income. This enhances capital efficiency and provides a competitive advantage over other lending platforms.

1. Security and Transparency

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Puffer Finance's advanced security measures and transparent on-chain operations ensure a high level of trust and reliability for borrowers and lenders.

1. Diversification and Market Growth

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Adding pufETH as the only permissionless LRT allows Aave to diversify its collateral offerings, catering to a growing demand for liquid staking assets. This can further increase Aave's TVL and protocol activity.

Incentives

To encourage user participation and support the listing of pufETH on Aave, the Puffer Finance Foundation proposes:

- Governance Incentives

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Allocating up to 10% of Puffer's \$CARROT (Puffer's onchain incentives) token supply to incentivize borrowers and lenders interacting with pufETH on Aave. These incentives will reward early adopters and help seed liquidity in the pufETH market.

- Borrowing and Supplying Rewards

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A portion of the \$CARROT token incentives will be distributed to users borrowing against or supplying pufETH on Aave, enhancing protocol activity and adoption.

Specification

Details of the onboarding of the asset will be discussed at ARFC stage.

Token Contracts

- Ethereum

: 0xd9a442856c234a39a81a089c06451ebaa4306a72

Chainlink Feed

- 0xDe3f7Dd92C4701BCf59F47235bCb61e727c45f80

Conclusion

Listing pufETH on Aave represents a significant opportunity to integrate a highly liquid and secure restaking token into Aave's ecosystem. By offering additional yield opportunities, diversifying collateral assets, and providing robust security, pufETH can contribute to Aave's growth and strengthen its position as a leader in DeFi lending markets.

The Puffer Finance team is committed to collaborating with Aave's risk assessment partners and the community to ensure a smooth and compliant listing process.

Next Steps

1. If consensus is reached on this TEMP CHECK, escalate this proposal to the Snapshot stage.
2. If the Snapshot outcome is YAE, escalate to ARFC stage.

3. Publication of a standard ARFC, collect community & service providers feedback before escalating proposal to ARFC snapshot stage.
4. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal.

Disclaimer

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