GM, Aave community!

Aave Labs has continued to make steady progress on V4 development in line with our service provider scope. Below is a summary of what has been done over the past month, as well as what is coming in the next 30 days.

December update:

- Continued Aave V4 development.

- Supported CCIP v1.5.1 upgrade.

- Reviewed Aave v3.3 changes.

- Upgraded to React 18 and ConnectKit.

- Progressed preparations to integrate Umbrella.

- Supported Ongoing Integrations.

Aave V4 Updates

Development on Aave V4 has been progressing consistently since June, with the main focus on implementing the Liquidity Hub, the Liquidity Premiums, and the Liquidation Engine. Below you will find the details of the advancements made in December.

Liquidity Hub

Aave Labs has concentrated efforts on advancing the Liquidity Hub architecture and codebase. The base implementation has progressed significantly, with focus on the integration of Liquidity Premiums, aiming to align computation accrual on supply and demand.

Liquidity Premiums

The Liquidity Premium specification and dynamic interest rate model development have progressed significantly, focusing on how borrowing costs correlate with collateral asset quality. Research this month centered on identifying optimal strategies for comprehensively addressing the protocol-level impacts of risk premiums. This analysis accounts for computational constraints inherent in blockchain implementations while evaluating associated trade-offs.

Liquidation Engine

Work has started on implementing a basic Liquidation Engine, with focus on researching the most appropriate liquidation strategy. At this stage, the main objective is to better understand how to efficiently liquidate positions (i.e. no more than it demands to bring the position back to a health factor of 1).

What else are we working on?

CCIP v1.5.1 upgrade

The Chainlink Cross-Chain Interoperability Protocol (CCIP) was upgraded to version 1.5.1 at the beginning of December, 2024, introducing a number of enhancements for cross-chain pool management. Aave Labs has been collaborating with Chainlink to upgrade GHO pools on Ethereum and Arbitrum to CCIP v1.5.1.

Aave v3.3

Aave Labs thoroughly reviewed the new release of the Aave Protocol to assess how the debt management and liquidation changes will impact the contracts and user experience. This review enabled beginning the adaptation of the Aave Interface in preparation for the release.

Interface

React and ConnectKit

The Aave Interface was upgraded to integrate newer versions of core frameworks. The largest ones being React v18 and Family's ConnectKit. Key benefits include an enhanced wallet connection process and an improved overall user experience.

Umbrella

Aave Labs has progressed preparations to integrate Umbrella (new version of the Aave Safety Module) staking across the Aave Utilities SDK, the Aave Interface, and the Aave Interface helper contracts.

Ongoing Integrations

Updates on the Aave Interface related to tokens and community incentive programs, such as the integration of the ETHx Merit campaign, resolution of general bug fixes, and implementation of minor feature enhancements.

What's coming next?

Our main focus for the coming month will be

- Progressing the development of V4.

- Migrating existing Ethereum and Arbitrum Pools to be CCIP 1.5.1 compliant.

- Expanding GHO to Base and Avalanche.

- Completing the integration of Umbrella into the Aave Interface.

Stay tuned for next month's update.

Aave Labs