

# [TEMP CHECK] Onboard tBTC to Aave v3 on Ethereum, Arbitrum and Optimism.

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## Summary:

The proposal aims to onboard Threshold Network's tBTC, to the Aave v3 protocol on Ethereum, Arbitrum and Optimism. tBTC is backed one-to-one with Bitcoin.

## Motivation/Background:

tBTC is Threshold's decentralized and permissionless bridge to bring BTC to the Ethereum network. tBTC has been designed to allow Bitcoin holders to participate in Ethereum's Decentralized Finance (DeFi) applications. Users wishing to utilize their Bitcoin on Ethereum can use the tBTC decentralized bridge to deposit their Bitcoin into the system and get a minted tBTC token in their Ethereum wallet.

Having recently acquired a Chainlink oracle, tBTC enables Aave users to have access to the only wrapped Bitcoin, which can be permissionlessly minted and redeemed, where the BTC that backs it is not held by a central intermediary, but is instead held by a decentralized network of nodes using threshold cryptography. This implies a fully decentralized and permissionless lending and borrowing experience for BTC (i.e. bridge native BTC to tBTC and borrow via Aave).

Benefits for Aave:

- Further decentralization and trust minimisation in the Aave stack.
- A range of lending options for those who wish to earn yield on their BTC.
- Collaboration with the Threshold Network DAO, opening up the opportunity to incorporate other Threshold products (such as Threshold Access Control and thUSD) into the Aave offering.
- Preferable yields on tBTC through active incentive participation, boosting Aave protocol use, fees and TVL.
- Additional incentive allocation originating from Arbitrum's LTIPP.

## Specification

Ticker: TBTC

Contract Addresses:

Ethereum: 0x18084fba666a33d37592fa2633fd49a74dd93a88

Arbitrum: 0x6c84a8f1c29108f47a79964b5fe888d4f4d0de40

Optimism: 0x6c84a8f1c29108F47a79964b5Fe888D4f4D0dE40

Chainlink Oracle:

Ethereum: 0x8350b7De6a6a2C1368E7D4Bd968190e13E354297

Arbitrum: 0xE808488e8627F6531bA79a13A9E0271B39abEb1C

Optimism: 0x5a61374950D4BFa5a3D4f2CA36FC1d23A92b6f21

Useful Links (the number of posted links is limited to 5 for new users, hence the intended spacing between "h" and "https"):

Project: h <https://www.threshold.network/>

Minting dashboard: h <https://dashboard.threshold.network/tBTC/mint>

GitHub: h <https://github.com/keep-network/tbtc-v2>

Docs: h <https://docs.threshold.network/applications/tbtc-v2>

Audit: <https://threshold.network/about#audits>

Immunifi Bug Bounty: <https://immunefi.com/bounty/thresholdnetwork/>

Llama Risk Report: [Collateral Risk Assessment: Threshold BTC \(tBTC\) - HackMD](#)

Twitter: <https://twitter.com/thetnetwork>

Discord: <https://discord.gg/threshold>

Dune: <https://dune.com/threshold/tbtc> & <https://dune.com/sensecapital/tbtc-liquidity>

### **What is the link between the author of the AIP and the Asset?**

Threshold Network has no link and is not compensated to present this TEMP CHECK proposal.

### **Provide a brief high-level overview of the project and the token.**

tBTC is a decentralized wrapped Bitcoin that is 1:1 backed by native BTC. Unlike other wrapped Bitcoins, the BTC that backs tBTC is not held by a central intermediary, but is instead held by a decentralized network of nodes using threshold cryptography.

tBTC is trust minimized and redeemable for native BTC without a centralized custodian. It can be used across the entire DeFi ecosystem.

tBTC can be used as collateral, liquidity, a store of value, and can be integrated with DeFi apps across all supported blockchains.

As with other BTC wrappers, tBTC provides cryptocurrency traders and general users with a BTC-pegged token, that can be used to generate yield whilst holding native BTC.

### **Explain the positioning of the token in the AAVE ecosystem. Why would it be a good borrow or collateral asset?**

Adding support for tBTC on Aave V3 as an asset would allow tBTC holders to obtain a yield on their tBTC holdings.

In Aave's [document hub](#), the first line self-describes Aave as "a decentralized non-custodial liquidity protocol", Threshold Network is looking to help Aave fully realise this by allowing access to tBTC, which unlike its centralized competitor (wBTC), is the only way to permissionlessly borrow and lend BTC in a decentralized manner. This gives Aave direct access to the 1.3 trillion market and 106 million owners of BTC, for which wBTC provides limited access to.

### **Provide a brief history of the project and the different components: DAO (is it live?), products (are they live?). How did it overcome some of the challenges it faced?**

tBTC was created by a decentralized effort of contributors at the Threshold Network DAO, and extensively utilizes the Threshold Network's threshold cryptography to create a secure BTC asset. tBTC is a product launched on Threshold Network, on which many other decentralized applications are being built.

Threshold Network DAO was born out of the first on-chain merger between two decentralized protocols, Keep Network and NuCypher early in 2022. The DAO has successfully operated since that time, and supports an active community of contributors that work towards building tBTC liquidity and usability.

### **How is tBTC currently used?**

tBTC is currently used across the Ethereum, Arbitrum, Base, Optimism, Polygon and Solana ecosystems. tBTC exhibits strong usecase across decentralized exchanges, lending on Solana and Bitcoin Options on Base and as collateral for crvUSD, a broad overview can be found here:

<https://defillama.com/yields?token=TBTC>

### **Emission schedule**

tBTC is one-to-one backed with real Bitcoin, meaning that there isn't an emissions schedule, but a mint and redeem function that adjusts the supply of tBTC based on native BTC coming into and out of the system.

### **Token (& Protocol) permissions (minting) and upgradability. Is there a multisig? What can it do? Who are the signers?**

For tBTC, wallets are created periodically based on governance. In order for the wallet to move funds, it produces signatures using a Threshold Elliptic Curve Digital Signature Algorithm, requiring 51-of-100 Signers to cooperate. The 100 signers on

each wallet are chosen with our Sortition Pool, and the randomness is provided by the Random Beacon. More can be found here - [Wallet Generation | Threshold Docs](#)

The Threshold Council multisig is a 6/9 Gnosis Safe multisig with 9 unique signers that form the Threshold Network Council. The Council has limited upgrade privileges over the smart contracts. However, those privileges do not include any custodial power over deposited BTC:

Council Multisig Ethereum Address: 0x9F6e831c8F8939DC0C830C6e492e7cEf4f9C2F5f

### **Market data (Market Cap, 24h Volume, Volatility, Exchanges, Maturity)**

Market capitalisation: \$195,000,000 USD / 2,960 BTC

Decentralized exchange liquidity pools: <https://defillama.com/yields?token=TBTC>

Dashboard on Decentralized LP liquidity: <https://dune.com/sensecapital/tbtc-liquidity>

### **Social channels data (Size of communities, activity on Github)**

Discord: 7,251

Twitter: 37,200

Github: 4,596 commits

Contracts date of deployments, number of transactions, number of holders for tokens

Date of Deployment: February 2023

Number of transactions: 27,986

Number of token holders: 756

### **Risk parameters**

While we suggest the community to wait for the feedback from risks teams, we suggest the following risk parameters to start the conversation.

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Optimism: 0x6c84a8f1c29108F47a79964b5Fe888D4f4D0dE40

Parameter

Value

Isolation Mode

No

Borrowable

Yes

Collateral Enabled

Yes

Supply Cap

N/A

Borrow Cap

2 Million USD

Debt Ceiling

N/A

LTV

35%

LT

78%

Liquidation Bonus

5.00%

Liquidation Protocol Fee

10.00%

## **Disclaimer:**

This proposal is powered by Threshold Network. The author [@Ethan](#) is the Growth Coordinator for Threshold Network.

## **Next Steps:**

1. If consensus is reached on this [TEMP CHECK], escalate this proposal to the Snapshot stage.
2. If the Snapshot outcome is positive, this proposal will be escalated to the Aave Request for Comment (ARFC) stage.
3. Publication of a standard ARFC, collect community and service providers feedback before escalating the proposal to the ARFC Snapshot stage.
4. If the ARFC Snapshot outcome is positive, publish an AIP vote for final confirmation and enforcement of the proposal.

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