

title: [TEMP CHECK] Safety Module Upgrade Part VI - Future considerations

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Summary

This proposal aims to validate the global strategy design and discuss future considerations.

Abstract

It is important to note that following broad approval of this ARFC, the implementation of the necessary contracts for implementation will need to be reviewed by two security audit firms to minimize risk. Aura & Balancer grants could be used to reimburse the audit costs paid by AAVE DAO, while BAL & AURA would be locked to increase the strategic assets voting power.

If the above proposal design is accepted by the DAO, there will be several governance & metagovernance proposals such as:

- Gauges requests on smbPT pools
- Grant to Balancer and Aura DAOs (locked to increase voting power)
- Progressive migration to the new SM design
- Improve the incentives budgets sustainability
- POL strategy deployment in the Safety Module
- Framework for adding new assets to the SM

Rationale:

Progressive Migration to New SM Design

As mentioned above, this proposal aims to test the maximum capacity with the current Aave SM reward budget and the market metrics, but the SM TVL goals and associated vote incentives would grow progressively once the Quests are filled. Rewards on the current design would also reduce progressively to ensure a smooth migration.

Incentives Budget Sustainability

Dedicate 10-20% of GHO earnings to support liquidity incentives over time (i.e vote incentives in stables and POL, which will drastically reduce AAVE selling pressure).

Protocol Owned Liquidity

Aave DAO should consider self-insuring the protocol with the treasury, which will also result in a farming strategy accumulating BAL & AURA locked to reduce the rewards budgets in the coming years and use the voting power owned to sustain the Safety Module and StakedATokens strategies.

Framework for adding new assets to the SM

A future framework could be defined for adding new assets to the SM and might include criteria such as long term bribe campaigns on Quest/LM programs, votes allocated to AAVE pools, POL from projects deposited on the SM, grants from partner projects, etc.

If the community wants to increase the asset diversity in the SM, Llama will work on a framework to add new assets and how to incentivize it.

Technical implementation

- Migrate Balancer V1 pool to V2 (Part I)

- Implement new assets, categories and slashing parameters (II)
- Implement smBPT gauges and Aura strategy (Part III)
- Implement weekly reward distribution for volatile and stable LPs categories (Part IV)
- Elect committee managing incentives & voting power (Part V)
- Create Quests & Manage Aave voting power (Part V)
- Discuss about SM progressive incentives migration & other considerations (Part VI)

Voting Options

YAE - Upgrade the SM

NAE - Keep the Current Design

ABSTAIN

Disclaimer

The Llama is not compensated by any of the mentioned communities outside of Aave.

Llama is an unpaid delegate within the Balancer ecosystem. Some members of Llama are unpaid delegates in the Paladin ecosystem.

Members who contributed to this proposal are not angel investors or advisors to any of the mentioned communities but some do hold small holdings in those communities tokens.

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References

1. [\[TEMP CHECK\] Safety Module Update Part I - Migrate AAVE/wETH Balancer v1 Pool to Balancer v2](#)
2. [\[TEMP CHECK\] Safety Module Upgrade Part II - Asset Diversity, SM Categories & Slashing Updates](#)
3. [\[TEMP CHECK\] Safety Module Upgrade Part III - Enable gauges on BPT in Safety Module \(smBPT\)](#)
4. [\[TEMP CHECK\] Safety Module Upgrade Part IV - Incentives Management Upgrade](#)
5. [\[TEMP CHECK\] Safety Module Upgrade Part V - veToken Holding Management Framework](#)
6. [\[TEMP CHECK\] Safety Module Upgrade Part VI - Future considerations](#)