title: [TEMP CHECK] Treasury Management - Create and Fund GHO Liquidity Committee

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Summary

This publication presents Aave DAO the opportunity to create and fund the GHO Liquidity Committee for an initial 3 month duration.

Motivation

Over the coming weeks, we expect the voting base to reallocate gauge votes away from GHO liquidity pools. This is largely due to those voting for GHO pools incurring an opportunity cost by not participating in the bribe market.

If the Aave DAO was to lock all of its BPT for veBAL, the gauge vote is equivalent to 1.8% of veBAL. Even with some voters continuing to support GHO, a good portion of the 7.7% will move to other pools. There is also the impact of AIP-42 for the DAO to consider. Voting support from external teams is expected to taper beyond what Aave DAO can replace with its own strategic assets. Furthermore, as the liquidity pools continue to grow additional gauge voting support is required to maintain the APR over time. Whilst the Aave Safety Module (SM) has the potential to be a more long term sustained solution, integrating BPTs that contain GHO, this requires time to develop and should not be rushed.

Meanwhile, the GHO price is consistently trading between 96 cents and 99 cents. When the liquidity in the GHO/Aave Boosted Pool was withdrawn, the GHO peg improved. This is because the pool was >85% GHO and had minimal USDC, USDT and DAI deposits. Increasing the GHO borrow rate is also expected to support the GHO peg as minting GHO to farm rewards in liquidity pools is less profitable.

The LUSD/GHO pool on Maverick, is also heavily concentrated in GHO and migrating this liquidity to a wider liquidity band pool is expected to also help support the peg.

Creating several concentrated liquidity pools is expected to help improve the GHO peg. These pools will have wide and narrow ranges. Liquidity will need to be migrated from the wide range to the narrow range pool over time. This will require more active management than what on-chain governance allows.

The recent CRV acquisition indicates the DAO will likely be supporting a GHO/crvUSD pool on Curve Finance. The current CRV holding can be used to kick start a pool, however additional support is likely to be needed to continue growing the pool. There is also a GHOFRAXBP pool being setup by the Frax team which can be co-incentivised. Pending how these pools progress, additional scope/budget may be added at a later stage.

Given the time sensitive nature of needing to support GHO liquidity, this publication proposes creating a Liquidity Committee with an initial budget. The committee shall focus solely on GHO liquidity and shall consist of a relatively small highly skilled team.

The Liquidity Committee can support GHO whilst other initiatives are being considered. Even after GHO liquidity pool receipt tokens are integrated into the SM, the Liquidity Committee can participate in bribe markets to boost the yield on the SM integrations.

Longer term the DAO should revisit the impact of the committee and determine if it is still required. Furthermore, the composition of the committee should be revisited at a late date. With this in mind, this proposal suggests the Liquidity Committee's initial mandate shall last for a 3 month duration.

Liquidity Strategy

Details on the liquidity strategy are to be detailed in a separate forum post. The liquidity strategy is to be implemented on the following Decentralise Exchanges:

- Balancer

- Maverick

- Uniswap via Bunni

This forum post is to focus on the creation of the Liquidity Committee and associated fundings.

Performance Measures

The following performance measures are proposed:

- Time GHO peg is above 98.5 cents and 99.0 cents

- % above/below 98.5 cents over trailing 7 days

- % above/below 99.0 cents over trailing 7 days

- % above/below 98.5 cents over trailing 7 days

- % above/below 99.0 cents over trailing 7 days

- TVL in GHO Pools on Maverick

- Target $5M

- Target $5M

- TVL in GHO Pools on Uniswap

- Target $5M

- Target $5M

- Improvement in swap size for defined price impact via Cowswap or Paraswap

- 0.25% and 0.5% price impact to USDC

- 0.25% and 0.5% price impact to USDC

- TVL in Balancer Liquidity Pools

Target $10M ($5M per pool)

These measures will be shown on the GHO Analytics platform provided by TokenLogic.

Committee Structure

The Liquidity Committee is to consist of 7 signers and will utilise a 4 of 7 SAFE to implement transactions. To ensure there is smooth operational consistency, there are distinct roles within the committee.

TokenLogic will perform the following function:

- Provide analytics and modelling of the liquidity strategy

- Liaise with teams that support the protocols hosting the GHO liquidity

- Lead & Coordinate the committees weekly activities

All signers are to provide the following support:

- Provide critical feedback / help refine the strategy

- Verify and sign transactions

It should be noted, that actively managing liquidity takes time and effort to stay up to date with the attest events happening across all the protocols supporting GHO liquidity. Verifying transactions as a signer is also a notable time commitment.

Budget

The initial 3 months funding for the Liquidity Committee is as shown below:

- 406,000 GHO - Liquidity Incentives

- 5 ETH - Gas

A breakdown of the Liquidity Incentive budget is shown below:

A more detailed breakdown of the incentive budget and strategy can be found[here](#).

There is a nominal 5 ETH allowance included in the budget. This amount was arbitrarily selected and ensures the SAFE &

signing wallets are well funded.Some transactions can be executed directly from the SAFE.

Any funds not used shall be returned to the Treasury or rolled over into supporting the next iteration of the Liquidity Committee.

Specification

A Gnosis Safe will be created, this SAFE will hold funds and implement the quests. A small, high context team is proposed to implement the strategies modelled by the TokenLogic team.

Signer

Address

Matthew Graham (TokenLogic)

0xb647055A9915bF9c8021a684E175A353525b9890

Dydymoon (TokenLogic)

0xAFe4043c9FFd31753c5bE2B76dfc45AaA70ebD6f

Emilio

0x9C3E82658d10064121048A21c69978D3400abb25

Marc (ACI)

0x329c54289Ff5D6B7b7daE13592C6B1EDA1543eD4

Figue (Paladin)

0x009d13E9bEC94Bf16791098CE4E5C168D27A9f07

Solarcurve (Balancer)

0x512fce9B07Ce64590849115EE6B32fd40eC0f5F3

TokenBrice (DeFi Collective)

0xAA7A9d80971E58641442774C373C94AaFee87d66

To fund the multisig, the following assets within the Treasury are to be swapped to GHO:

- 406,000 aEthDAI

5 ETH and 406,000 units GHO are to be transferred from the Treasury to the Liquidity Committee multisig.

Address: here

Disclaimer

TokenLogic receives no payment from Aave DAO or any external source for the creation of this proposal. TokenLogic is a delegate within the Aave ecosystem.

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