

[ARFC] Deploy a Lido Aave v3 Instance

Author: ACI (Aave Chan Initiative)

Date: 2024-06-24

Summary

This proposal suggests joining the Lido Alliance as the Aave DAO and deploying an Aave v3 instance focused on the Lido ecosystem.

Motivation

Aave and Lido have historically seen symbiotic growth, with stETH being one of the premier collaterals on Aave and leveraged staking being one of the most profitable use cases for both Aave DAO and Lido users.

Lido is in the process of launching the Lido Alliance, which will reward novel use cases of staked ETH and support further growth of the Lido ecosystem. This ARFC proposal suggests that Aave supports Lido Alliance efforts by deploying a new Aave V3 ETH market for Lido. This Aave v3 instance will be designed and tuned to support stETH leverage loopers. The deployment will only include wstETH and wETH assets with E-Mode enabled.

Lido has committed incentive programs and ecosystem support for this instance in order to bootstrap liquidity and promote additional programs within the Lido Alliance.

Incentives from Lido will be detailed during ahead of the AIP deployment.

Specification

The Lido Alliance's Aave v3 instance implements the following:

- The borrow cap of wETH will be set to 90% of supplied wETH, with updates tightly controlled by the risk steward. This will ensure that stETH/wETH loops are consistently profitable and can't go into negative territory.
- E-Mode LTV & LT are set 50 bps above all other Aave implementations, making it the most efficient loop venue in the industry.
- For the first 6 months of the Lido Alliance Aave v3, wETH slope1 will be set at 2.50%, ((currently 2.7% on mainnet and on L2s) and wETH RF set at 10% (currently 15% on all markets). This will make it the most profitable venue to loop stETH & wETH.
- wstETH RF will be 5%.

The deployment of the Aave V3 Lido Ecosystem Aave will be done by Catapulta on behalf of the Aave DAO.

Parameter

wstETH value

wETH value

Isolation Mode

No

No

Borrowable

Yes

Yes

Collateral Enabled

Yes

Yes

Supply Cap

1.25M

1.8M

Borrow Cap

24k

1.4M

Debt Ceiling

NA

NA

LTV

80.00%

82.00%

LT

81.00%

83.00%

Liquidation Bonus

6%

5%

Liquidation Protocol Fee

10.00%

10.00%

Variable Base

0.0%

0.0%

Variable Slope1

3.5%

2.50%

Variable Slope2

85%

85%

Uoptimal

80%

90%

Reserve Factor

5.00%

10%

Stable Borrowing

Disabled

Disabled

Flahloanable

Yes

Yes

Siloed Borrowing

No

No

Borrowed in Isolation

No

No

E-Mode

Yes

Yes

E-Mode LTV

93.5%

93.5%

E-Mode LT

95.5%

95.5%

E-mode Liquidation Bonus

1%

1 %

Useful Links:

Lido Alliance proposal: [Lido Alliance: An Ethereum-Aligned Ecosystem - Proposals - Lido Governance](#)

[\[TEMP CHECK\] Deploy a Lido Aave v3 Instance](#)

Disclaimer:

The Aave Chan Initiative is not directly affiliated with Lido and did not receive compensation for creating this proposal. The ACI and its employees hold stETH.

Next Steps

1. If consensus is reached on this ARFC, escalate this proposal to the ARFC Snapshot stage.
2. If the ARFC snapshot outcome is YAE, publish an AIP vote for final deployment and enforcement of the proposal.
3. Work with service providers and Lido Alliance to release and promote the new Aave v3 instance.

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