

Proposal parameters updated following part of Feedback

## Title:

[ARFC] Merit - A New Aave-Alignment User Reward System

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## Summary

“Merit” proposes a merkle-tree-based periodic airdrop system, designed to reward Aave-aligned user behaviors and enhance protocol competitiveness, with a defined budget for the initial 90-day period.

## Motivation

Addressing the competitive DeFi landscape, “Merit” seeks to elevate Aave’s appeal and efficiency through a rewarding mechanism that prioritizes DAO-beneficial actions, distinguishing Aave from competitors employing artificial incentive methods.

## Specification

The “Merit” system employs a booster-based model to reward specific user actions with points, dictating the weekly StkAAVE and GHO distribution. The system incorporates merit boosters and diluters to adjust user rewards based on their alignment with Aave’s objectives. The initiative starts with a budget of 2.1M\$ in wETH and 2.9M\$ in GHO, totaling 5M\$ for a 90-day duration, focusing on direct Aave protocol engagement and promoting diversified staking strategies.

## Rewarded Actions

Actions that align with Aave’s strategic objectives will be rewarded:

Action

Borrow wETH

Borrow GHO

## Merit boosters

Merit boosters enhance these rewards for specific behaviors:

Behavior

Multiplier description

Second-degree user of aligned protocol

booster for users coming from aligned protocols that favor Aave over other protocols.

Migrator

Incentive for moving positions to Aave from others protocols

Diversity Supporter

Rewards for using minority LSTs

Aavenger

usage of AAVE as collateral

MakerDAO fren

usage of sDAI as collateral

OG DAO Participant

Booster for early DAO voters or delegates

Holdoor

Booster for  $\geq 100$ -day AAVE holders in the past year

Stakoor

Booster for  $\geq 100$ -day StkAAVE holders in the past year

Staker

Bonus for staking AAVE, StkBPT, StkGHO

Active in Governance

Rewards for voting or delegating to an Aave DAO recognized delegate platform

## Merit Diluters

Merit Diluters will dilute part or all rewards for certain behaviors:

Behavior

Dilution Description/Effect

User of Non-Aligned Protocol

Severe dilution (up to -100%)

## Non-aligned protocol list:

We propose to launch Merit with a single protocol with non-aligned status: Morpho Aave Optimizers V2 & V3

## Migration bonus multipliers list:

We propose to apply the “migratooor” Boosters to users leaving the following protocols to join the Aave ecosystem:

- Morpho V2
- Morpho V3
- Morpho Blue
- Spark

## Budget and Scope

- Bi-Weekly Budget:

Defined by Aave Finance service providers, all data will be published publicly after the Merit program ends.

- Total Budget:

5M\$ with 2.1M\$ in wETH and 2.9M\$ in GHO for 90 days.

- Scope:

Aave V3 Ethereum.

## Synergies

Numerous protocols reached out during the TEMP CHECK period to co-incentive merit. [@karpatkey](#), [TokenLogic](#) via Aave Finance are coordinating these efforts, and their incentives are expected to be on top of the Merit budget.

## Next Steps

1. Refine the proposal details based on community feedback to achieve consensus.

2. Conduct a snapshot vote for community sentiment.
3. Following a successful snapshot outcome, escalate to the AIP stage for official voting and implementation.

## **Disclosure**

The Aave Chan Initiative independently proposes “Merit,” without external compensation.

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