

title: [ARFC] Deploy stataUSDC and stataUSDT GSMs on Ethereum

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## Summary

This publication proposes deploying two stataToken GSMs using the [ERC4626 implementation](#) developed by Aave Labs to replace the existing USDC and USDT GSMs.

## Motivation

While the primary focus of the GSM is to ensure price stability, the current GSMs issue GHO backed 1:1 with USDC and USDT, which are then held unproductively. The opportunity cost of passively holding USDC and USDT increases as the GSM size grows over time.

With the recent completion of Certora's ERC4626 GSM audit, there is an opportunity to deploy two new [stataToken](#) GSMs to replace the existing GSMs. The USDC and USDT holdings in the current GSMs will be migrated to the new stataUSDC and stataUSDT GSMs, allowing yield generated by these assets to be claimed as revenue by the Aave DAO.

The yield from stataTokens functions as a proxy Borrow Rate and accrues revenue to the DAO continuously, unlike GHO Borrow Rate interest, which is only realized when users repay loans. The chart below illustrates the native deposit yield for USDC and USDT compared to the GHO Borrow Rate over time.

Based on current GSM holdings (1.5M USDC and 10.1M USDT) and the 6-month average deposit rates (7.12% for USDC, 5.88% for USDT) on Aave v3 Core, the Aave DAO could generate an estimated \$593.8k USD in annual revenue. This figure is indicative and subject to variations in deposits and market conditions.

Do note, this proposal supersedes this [proposal](#).

## Pricing Strategy

While the ERC4626 GSM offers both dynamic and fixed price oracles, the USDC and USDT to GHO ratio will be configured 1:1 to support a quick deployment and reflect the relatively small size of the underlying holdings.

## Debt Ceiling

A potent tool for mitigating adverse effects derived from over-reliance on centralised stablecoins, this parameter can be configured relative to GHO's circulating supply.

Evident earlier this week when USDT traded beneath \$1.000 across several venues, users are able to supply the depegged asset to mint GHO. The debt ceiling is the primary means of limiting the GSM exposure to a specific asset. Furthermore, the debt ceiling can be sized based upon the lesser of the following:

- Preferred amount of USDC exposure; or,
- Available exit liquidity in the USDC reserve.

Either of the above options, compares favourably when determining GSM parameters relative to configuring the Exposure Capacity for peg stability.

## Specification

### Overview

The below provides an overview of the GSM.

[

tokenlogic illustration 5

1920×1568 72.7 KB

](<https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/5/5e2d6cfed887cb15ed99889c63d1748731a73ce4.jpeg>)

## Existing GSM Migration Overview

The previous versions of the GSM will be seized, and all liquidity migrated to the new version.

The below provides an overview of the methodology.

- Deploy new stataUSDC and stataUSDT GSM4626 from the Gho-Core repository with their respective Oracles
- Add new GSMs to the GSMRegistry
- Update the FeeStrategy of the new GSMs to the existing FeeStrategy:  
[0x83896a35db4519BD8CcBAF5cF86CCA61b5cfb938

](<https://etherscan.io/address/0x83896a35db4519BD8CcBAF5cF86CCA61b5cfb938>)

- Grant the Executor the 'LIQUIDATOR\_ROLE'

to be able to seize the existing GSMs

- Seize the current USDC and USDT GSMs by calling the seize()

function. \* This freezes actions on them and transfers the underlying tokens to the collector

- This freezes actions on them and transfers the underlying tokens to the collector
- Add the two new GSMs as facilitators on the GHO token contract
- Add the new stataUSDC and stataUSDT GSMs as controlled facilitators on the GhoBucketSteward
- With the withdrawn assets above, obtain stataUSDC and stataUSDT via deposit on the respective vaults
- With the obtained stataUSDC and stataUSDT, exchange for GHO on the new respective GSMs
- Use the obtained GHO to burnAfterSeize()

on the current USDC and USDT GSMs. If there are any discrepancies in the amount of GHO, use GHO from the treasury to bring the minted GHO by the GSMs to zero

- Remove existing GSMs as facilitators of the GHO token
- Remove existing GSMs from the GSMRegistry
- Remove existing USDC and USDT GSMs from being a controlled facilitator on the GhoBucketSteward

## New stataUSDC and stataUSDT GSMs Parameter Configuration

The below details the configuration of the stataUSDC GSM.

Parameter

Value

Bucket Capacity (GHO)

16.00M

Exposure Capacity (USDC)

8.00M

Price Strategy

1:1

Freeze Lower Bound

\$0.990

Freeze Upper Bound

\$1.010

Unfreeze Lower Bound

\$0.995

Unfreeze Upper Bound

\$1.005

Mint GHO Fee

0.00%

Burn GHO Fee

0.20%

The below details the configuration of the stataUSDT GSM.

Parameter

Value

Bucket Capacity (GHO)

24.00M

Exposure Capacity (USDT)

16.00M

Price Strategy

1:1

Freeze Lower Bound

\$0.990

Freeze Upper Bound

\$1.010

Unfreeze Lower Bound

\$0.995

Unfreeze Upper Bound

\$1.005

Mint GHO Fee

0.00%

Burn GHO Fee

0.20%

## Disclosure

TokenLogic does not receive any payment for this proposal.

## Next Steps

1. Gather feedback from the community.
2. If consensus is reached on this ARFC, escalate this proposal to the Snapshot stage.
3. If Snapshot outcome is YAE, escalate this proposal to the AIP stage.

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