

title: [ARC] BUSD Offboarding Plan

Author: [@marczeller](#) - Aave Chan Initiative

Dated: 2023-02-27

Abstract

This proposal aims to implement an offboarding plan for BUSD on the Aave V2 Ethereum market. The plan will be carried out in two phases over two months and will involve making it more expensive to keep positions open and less profitable to have liquidity deposited in BUSD. The proposal will be divided into two AIPs to implement sequentially.

Motivation

Recent developments between Paxos and the SEC have resulted in Paxos stopping the minting of BUSD. This will cause the circulating supply of BUSD to trend towards zero over time. Therefore, it is necessary to implement an offboarding plan for BUSD on the Aave V2 Ethereum market to encourage users to switch to another stablecoin and reduce the amount of liquidity in BUSD.

Implementation

This proposal will be divided into two different AIPs, each corresponding to one of the two phases of the offboarding plan. The AIPs will be implemented in the order of the phases.

both AIPs will deploy and propose adopting new interestRate strategies for BUSD on Aave V2.

AIP 1

- Decrease uOptimal from 80% to 45%
- Increase reserveFactor from 10% to 30%
- Increase base rate from 0% to 3%
- Increase slope 1 from 4% to 7%
- Increase slope 2 from 100% to 300%
- Duration: 1 month

AIP 2

- Increase reserveFactor from 30% to 99.9%
- Increase slope 2 from 300% to 1000%

The increased reserve factor will allow the Aave Treasury to be one of the last aBUSD holder. Allowing current aBUSD holders to have liquidity to exit the reserve during the offboarding execution. Once most, if not all, positions are closed or liquidated, the ACI will propose to use aBUSD reserve to clear out potential excess debt, close remaining positions, and lastly, convert the remaining aBUSD to another stablecoin.

Process

If the current ARC gathers community consensus, a Snapshot vote will be published to greenlight the offboarding plan followed by the first AIP if a YAE outcome is the snapshot leading option.

Conclusion

Implementing this offboarding plan for BUSD will help to reduce the amount of liquidity in BUSD on the Aave V2 Ethereum market and encourage users to switch to other stablecoins.

The plan will be carried out gradually over two months to minimize the impact on users and ensure a smooth transition to other stablecoins.

The ACI believes that this is the most reasonable path forward given the recent developments with Paxos and the SEC.