

Title: [ARFC] Treasury Management: Update Balancer Ecosystem Holdings

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Summary:

Following the approval of [this TEMP CHECK](#) explaining AIP-42 potential impacts, this proposal will evaluate options to update holdings to maintain maximum emission power by acquiring AURA tokens, enabling to stay exposed to Balancer ecosystem while optimizing the voting power.

Context:

[AIP-42](#) leads to a decorrelation of the incentives amounts generated on veBAL & vAURA, as veBAL emission power is limited to BAL + base Aura rewards, while vAURA receives additional AURA rewards allocated by the DAO treasury.

Looking at the vote incentives market a few weeks after the update went live, we can observe that the majority of cost paid per vote decreased on both layers. However, it's common to still see projects overpaying so it might take more time for the full market to understand these changes.

For more context, some veBAL holders voted for the GHO gauges over the past two months without receiving bribes, enabling to generate ~ \$300k of incentives on GHO gauges.

Motivation:

This proposal aims to propose several options to update the Balancer ecosystem holdings of the DAO by acquiring AURA to increase its maximum emission power.

Current data (September 26th)

- AURA price: 0,81\$
- veBAL/vAURA ratio: 0,1608
- veBAL value acquired per 1\$ of vAURA bought: 1,84\$.

Initial Est. veBAL position

Aave DAO acquisition of 157K B-80BAL_20WETH was executed on this [proposal](#).

If the full amount was locked, the weekly emissions value would be ~ \$7,3K per week.

Current DAO holdings

Shortly after this [proposal](#) was submitted, TokenLogic submitted two proposals: a first time sensitive one to acquire [443k AURA OTC from Olympus DAO with DAI](#), executed on this [AIP](#), and another to [sell the corresponding value in BPT for GHO](#) approved on the following [TEMP CHECK](#).

The table below shows the Olympus OTC deal data & impact on Aave treasury once executed using current GHO & BPT prices.

If the DAO was to lock its remaining BPT & AURA holdings now, the weekly emissions value generated would be ~ \$10,1K / week.

Improvement scenarios

While an increase can be observed (7,3k to 10,1k/week), the maximum emissions can still be improved, either by optimizing or increasing and diversifying the exposure. The tables below show an emission power overview post AIP-42 for both cases.

The current situation would also require to vote on both layers, which complexifies the management, however this option will be possible as Llama's SAM contract upgrade ARFC to support both veBAL & vAURA, and propose to grant the asset manager role to the committee will be published in the coming days (code currently in review by BGD).

As described in both options above, the goal of this ARFC is to acquire ~ 1,3M AURA units, either with BPT or with stables.

1) Convert to remaining BPT to AURA

This option considers optimizing the current holding by selling the remaining BPT for AURA, which will improve the gauge power owned without spending more funds to increase the exposure value.

Despite proposing to convert BPT, Balancer remains a strategic partner and this acquisition will actually enable the DAO to grow more liquidity on Balancer, and partially support the SM strategy once live, creating an important amount of bribes for veBAL holders.

If the DAO was to acquire ~ 1,3M AURA, the weekly emissions value would currently be ~ \$18,6K / week (almost twice the current situation including votes on both layers).

Pros:

- Maximal emission power (Full vIAURA)
- No extra investment (BPT conversion)
- Simple management (Vote on one layer only)
- Less locking restrictions (No decay & 4 months lock)
- Will enable to grow more liquidity on Balancer

Cons:

- Sell BPT acquired to lock veBAL according to the [partnership](#) (limited price impact)
- Can be considered as unfair for veBAL holders who supported GHO at launch
- Balancer DAO might sell the AAVE acquired during the TokenSwap

2) Keep remaining BPT & acquire AURA to lock both

After receiving some feedback including concerns about selling BPT (initially acquired before AIP-42 at the Balancer partnership to lock for veBAL), this option considers to retain the BPT for veBAL and acquire additional ~ 1,3M AURA to lock for vIAURA with stables from the treasury which increases both the emission power & the exposure value.

If the DAO was to acquire ~ 1,3M AURA with stables and lock the remaining BPT holdings, the weekly emissions value generated would be ~ \$23,8K / week.

While this improves weekly emissions by \$5,2K, this strategy is less efficient compared to the above as it would complexify the management with the need to vote on both layers (one on-chain, one off-chain), relock the veBAL holdings, manage the two voting periods (weeks/rounds), and cost an extra \$1M in stables from the DAO treasury.

Pros:

- Increased overall emission power of the Aave DAO (veBAL + vIAURA)
- Favor good relations with Balancer by following the initial partnership proposal

Cons:

- \$1M extra investment (AURA acquisition with stables)
- More complex management (Vote on two different layers)
- Includes veBAL restrictions (Voting power decay & up to 1 year lock)
- Emission power not fully optimized

(Despite its maximal estimated efficiency, there isn't a 3rd option to convert both BPT holdings + \$1M for AURA as this amount would be complex to acquire with the current liquidity available)

Acquisition details

Regardless of which option above is voted on the ARFC, the proposal is to acquire AURA with USDC on market to reduce the price impact. If anyone reading this is interested in selling AURA OTC, feel free to comment.

Some Aura contributors & the Aura Ecosystem Fund Committee proposed a 200k AURA OTC deal for GHO (available on September 29th), using a TWAP price from the ARFC forum (posted on September 26th with Snapshot vote starting on September 29th) until snapshot vote ended if approved (October 2nd).

These contributors are open to receive GHO, which can create additional buying pressure if it can be included in the upcoming [GHO Funding AIP related to this ARFC](#), otherwise, it might complicate the implementation compared to using USDC (cc [@TokenLogic](#))

Overview of the AEF deal using the current AURA price to facilitate estimations but may vary depending on the TWAP price:

That leaves ~ 1,1M AURA to acquire on the market. The optimal way to execute these market transactions seems to be using the [TWAP orders from Cowswap](#) to split the trades into several orders.

While the price impact of selling the remaining BPT for USDC in one transaction is limited (3,5%), this can be reduced to 2,2% with a split of 5 orders. For AURA, the price impact if acquired in one transaction is quite important (42%), but this can also be reduced to 5,7% with a split of 10 orders.

Specifications:

OTC acquisition: If the Aura contributors & AEF deal is approved, the 200k OTC can be implemented using a similar contract to the one used for the Olympus deal (only difference being the price defined with a TWAP).

This AIP execution should fall under ACI's Skyward program scope (cc [@MarcZeller](#) for confirmation).

Market acquisition: As ~ 1,1M AURA are likely to be bought on market using TWAP orders which can be used with a Safe, the AURA buy and potential BPT sell can be executed by the GHO liquidity committee using the multisig once live (require a fallback handler on it). This should simplify the acquisition compared to creating new contracts for this purpose. More information on TWAP orders can be found [here](#).

Next Steps:

If Option 1:

- (AIP) Transfer USDC from the collector to OTC contract for AEF OTC deal
- (AIP) Transfer all BPT from the collector to the committee multisig
- Committee start TWAP orders BPT for USDC
- Committee start TWAP orders USDC for AURA
- Committee transfer back USDC equivalent for OTC deal on the Collector
- Committee transfer AURA on the SAM contract to lock once deployed

If Option 2:

- (AIP) Transfer USDC from the collector to OTC contract for Aura deal
- (AIP) Transfer USDC from the collector to the committee multisig
- Committee start TWAP orders USDC for AURA
- Committee transfer AURA on the SAM contract to lock once deployed

Disclaimer:

The above work can be useful for TokenLogic & Llama pending proposals where I participated (GHO Liquidity strategy & SM Upgrade), but this ARFC is published on my own initiative.

This proposal is not receiving compensation from any third party. This ARFC has been prepared to facilitate community decisions.

Poll

Should the Aave DAO acquire 1,3M AURA tokens ?

- YAE (Option 1: with BPT holdings)
- YAE (Option 2: with stables from the treasury)
- NAY
- ABSTAIN

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voters