title: [ARFC - Temp check] “MVP” V3 deployment on ZkEVM mainnet

Author: @marczeller - Aave Chan Initiative

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Summary

ZkEVM is an EVM-equivalent zk-rollup L2 developed by the Polygon team that is expected to be deployed on March 27th.

Aave V3 has been successfully deployed on the ZkEVM testnet for approximately 6 months (since October 2022). This testnet deployment was done for testing purposes by the @AaveLabs team.

Since ZkEVM is EVM-equivalent, deploying Aave V3 would require minimal development work.

The Aave-Chan Initiative supports L2 diversity as part of its governance platform.

This minimal Aave V3 deployment, with strictly limited assets onboarding (”MVP V3”), can be an opportunity to establish a strategic Aave presence early in this new network while staying conservative in terms of risk.

This ARFC proposal should be considered as a “temperature check” that would allow development and risk service providers to conduct a deeper analysis of the zkEVM network.

Abstract

This ARFC presents the Aave governance with an opportunity to “temp check” the deployment of a MVP version of Aave V3 on the ZkEVM L2.

Motivation

The proposal to deploy Aave V3.0.1 on the ZkEVM L2 network, also known as “MVP V3,” presents an opportunity for Aave Governance to establish a strategic presence on this new network early on. Aave has a history of pioneering in new frontiers, starting with the Polygon & Avalanche V2 deployment in 2021.

ZkEVM is an L2 solution developed by the Polygon team that is EVM-equivalent. Deploying Aave V3 would require minimal development work. However, to reduce risk, the proposal suggests limiting asset onboarding and setting conservative risk parameters. This will enable development and risk service providers to conduct a deeper analysis of the ZkEVM network. The proposal recommends onboarding only three collaterals (WETH, WMATIC & USDC) and one borrowable asset (USDC) to reduce risk exposure.

It is important to note that the presented risk parameters should be considered as suggestions to start the conversation. The ACI invites risk service providers teams to provide feedback on them.

This proposal also lays the groundwork for an “MVP” L2 GHO facilitator if governance considers this option in the future.

Overall, this proposal has the potential to expand Aave’s reach in the DeFi space by allowing it to expand to new “frontier” networks.

Specification

This ARFC presents the Aave governance with the opportunity to deploy an “MVP V3” of Aave V3.0.1 with only three collaterals: WETH, WMATIC & USDC, and only one borrowable asset: USDC.

Risk Parameter

WETH

MATIC

USDC

Isolation Mode

NO

NO

NO

Enable Borrow

NO

NO

YES

Enable Collateral

YES

YES

YES

Stable borrowing

N/A

N/A

NO

Emode Category

N/A

N/A

N/A

Loan To Value

80%

65%

82.5%

Liquidation Threshold

82.5%

70%

85%

Liquidation Bonus

5%

10%

5%

Reserve Factor

10%

10%

10%

Liquidation Protocol Fee

10%

10%

10%

Borrow Cap

N/A

N/A

20,000,000

Supply Cap

25,000

15,000,000

50,000,000

Debt Ceiling

N/A

N/A

N/A

Base

0%

0%

0%

Slope1

7%

6.1%

4%

Uoptimal

45%

75%

90%

Slope2

300%

100%

60%

Disclaimer

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However, Marc Zeller, the founder of ACI, is a compensated DeFi strategy advisor for the Polygon Foundation. Although this AFRC is not specifically part of his role, it could be interpreted as such.

As part of its delegate platform, the ACI promotes L2 diversity.

As of the time of writing, Marc Zeller holds MATIC, the native asset of the Polygon protocol, and MaticX, a LSD of MATIC, as well as significant holdings on the Polygon POS blockchain, worth approximately $250k.

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