The current GLP stablecoin allocation on Arbitrum consists of :

- 36% USDC
- 2% USDT
- 5% DAI
- 2% FRAX

I would like to propose that we increase the amount of FRAX allocation in GLP to 5% and remove 3% of USDC allocation to make room for this modification.

Frax is an open-source, permissionless, fractional-reserve algorithmic stablecoin protocol.

The current collateral ratio (CR) for FRAX, at the time of this writing, is at 89%.

Current Circle-lead initiatives to freeze assets and censor users should be addressed by decreasing USDC reliance in DeFi with backed, decentralized, stablecoin assets.

To date, FRAX is the second largest decentralized stablecoin. Nansen notes that the current market cap of FRAX is $1.45 Billion. FRAX liquidity on Arbitrum is 18.5million. The implementation of FRAX base pools on Curve continue to greatly increase FRAX liquidity cross chain while the launch of FraxLend and ETH SaaS (Staking as a Service) will also increase collateralization and cross chain utility.

Lastly, given the recent reticence regarding algo-stables, it is worth noting that the risk of FRAX depeg is nearly zero in current market conditions. To wit, there is 1.45B FRAX in existence. Furthermore, $583Million of it is in the FRAX:3CRV Curve pool. If you try to sell $100M FRAX in a single sell order for Tether on Curve right now, you would not even lower the price below $.9990. This doesn’t even take into account any of the hundreds of millions of dollars of liquidity on Uniswap v3, OR the utility of FRAX’s AMO which is designed like Maker’s PSM to repeg FRAX in adverse events.

As such, risk of FRAX depeg is low and safety of the GLP would be intact by increasing FRAX allocation to 5% of the pool while reducing USDC exposure to 33%.