TL;DR

With the top pair on Quickswap being the WMATIC-SAND liquidity pool, which has garnered $135M in liquidity and ~$3.5M volume daily, SAND has proved itself as a high-demand asset that would contribute greatly to the Aave v3 ecosystem. As the WMATIC-SAND pair is the largest by volume on Quickswap (deployed on Polygon L2), it would benefit Aave v3 to add it as collateral to expand Aave v3's cross-chain liquidity to more pairings. As Quickswap's token pairing proves, there is high community demand for cross-chain token pairings between Polygon and Ethereum – something Aave v3 Portal is in the perfect position to capitalize on.

Proposal

List SAND as collateral on AAVE v3 Polygon.

Reasoning and Risk Analysis

The Sandbox (SAND) is one of DeFi's most popular and promising GameFi projects, holding a $4B market cap with $800M volume daily. With the Metaverse poised to explode, Aave v3 should expand token pairs including SAND to take advantage of its increasing popularity and continue onboarding liquidity. Adding SAND to Aave v3 token pairs shows that Aave is serious about Metaverse tokens and expanding its impact beyond GameFi.

Moreover, with WMATIC-SAND being the largest token pair on Quickswap by a large margin (holding $135M in liquidity over the second-place WBTC-WETH with only $64M), it is clear that users desire more optionality in staking SAND beyond WMATIC. Allowing users to participate in a SAND Aave v3 liquidity pool will increase liquidity on Aave and entice SAND holders to begin using Aave v3.

Given SAND's existing volume and high TVL on Quickswap, we propose a 35M debt ceiling.

Aave (AAVE) is also one of DeFi's most reputable and stable liquidity protocols. With Aave v3 already integrated in the Polygon ecosystem, it will take advantage of existing user demand to stake Polygon-native tokens for SAND and vice versa via Portal.

Without major SAND-token pairings on other protocols like Uniswap (which offers SAND pools of less than $3M TVL), increasing the number of pairs including SAND could make Aave v3 the go-to protocol for staking SAND, boosting Aave and other chains like Polygon in the process.

With SAND being an active and well-known currency, with billions in market cap and over $500M in total daily volume, SAND holds a risk similar to Decentraland - an asset already listed on Aave with assessed risk of B+.

Smart Contract risk is low, being audited by Certik and Solidified with high security scores. While past duplication error have been uncovered, vital SAND and LAND smart contracts are not at risk.

Parameters

Using the relative parameter adjustments for B+ rated assets, we propose the following (though amenable to community discussion).

Max LTV: 55%

Liquidation Threshold: 65%

Reserve Factor: 25%

Benefits to Aave Community

We expect SAND to have substantial growth in the GameFi and large DeFi ecosystems. Aave would be one of the first communities to offer significant collateral offerings of SAND supported liquidity in DeFi.

SAND will play a unique role in Aave's ecosystem:

By being one of the biggest GameFi tokens in Aave's ecosystem, Aave will attract a significant portion of the GameFi community while showing a commitment to the growing Metaverse.

In the future, a first mover effect will likely be seen from those who onboard GameFi collateral early – Aave stands to be an enormous winner from this as SAND is onboarded to v3.

About the Author

Tommyjamm is a member of the Polygon DeFi team who has worked closely with the Sandbox team. At both Sandbox and Polygon, we believe strong partnerships with Aave will be crucial to future success.