[ARFC] Onboard ggAVAX to Aave V3 on Avalanche

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Summary

The current proposal is set to add ggAVAX, a liquid staking AVAX token issued by the Gogopool protocol, to the AAVE V3 Avalanche market.

Motivation

GoGoPool is one of the largest Avalanche DeFi protocols. It is ranked number 6 on the Avalanche C-Chain in terms of TVL chain and currently controls more than 500k AVAX (~$23M at current market prices).

We believe there is currently very large underserved demand for borrowing AVAX against ggAVAX, as ggAVAX is the highest-yielding LST on Avalanche. The APYs currently range between 7% and 8%, which is on the order of 33% more yield than any existing competitors on Avalanche.

Being the highest-yielding LST on Avalanche makes ggAVAX perfect for being a collateral asset, especially for those who seek leveraged exposure to native AVAX yields.

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ggAVAX vs sAVAX

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This yield is achieved through a mix of no protocol fees, running validators instead of utilizing delegation mechanisms, and generating MEV yield from positive market interactions (see dashboard for more details: Flipside).

There is currently more than ~80k AVAX in the ggAVAX-AVAX pools across Balancer and Wombat, making it the most liquid Avalanche LST relative to its size.

Besides the deep on-chain liquidity, ggAVAX allows users to redeem ggAVAX for underlying AVAX at an internal rate and with no fees. These redemptions are instant as long as there is enough AVAX in the ggAVAX smart contract to facilitate them.

GoGoPool is backed by the Avalanche Foundation and industry-leading investors. In 2022, It raised $7.5M in two rounds led by Framework Ventures and Coinfund and with participation from Silverstone Ventures, Fintech Collective, and Avalaunch.

The protocol has been audited by Zellic and Kudelski Security with an additional Code4rena audit contest. It also has an ongoing bug bounty program with Immunefi.

Benefits of listing ggAVAX

Listing of ggAVAX on AAVE would create additional demand for borrowing AVAX (in E-Mode) and other assets. Since ggAVAX generates consistently higher yields than other LSTs, borrowers can tolerate higher interest payments, leading to AVAX utilisation and revenue for the DAO.

Currently, AVAX utilisation sits well below the Optimal Utilisation Rate. More than $30M in borrow demand is required to bring utilisation from 43% to 65%. Listing a new high-yielding LST as collateral will help create this additional borrowing demand, resulting in higher utilisation rates, higher APRs for AVAX lenders and higher income for the AAVE Ecosystem Reserve.

Chain to be deployed/listed

Aave V3 on Avalanche.

Technical Details

With the recent implementation of Price Cap Adapters (CAPO), ggAVAX can be listed using an internal rate oracle without relying only on the AVAX/USD ChainLink price feed. This is the same approach that AAVE currently uses for sAVAX, wstETH, cbETH, weETH and other LSTs (and LRTs)

ggAVAX's CAPO, however, might require a max growth ratio higher than the 10.1% currently set for sAVAX to account for a generally higher level of yield.

We welcome any questions about ggAVAX architecture and protocol structure and look forward to working on this with the DAO.

Proof of Liquidity (POL) and Deposit Commitments

GoGoPool has earmarked 10k GGP tokens (worth +100K USD at average 90-day prices) for incentivising ggAVAX deposits into AAVE over the first three months of the listing to help bootstrap the market adoption and attract leverage takers.

After the listing is complete, we plan to work tightly with Avalanche ecosystem partners to integrate the market into their products. This can include autocompounding vaults, composite strategies and auto-leverage vaults.

These and other integrations would help drive usage to the ggAVAX market specifically and AAVE in general. Note that we have already had preliminary talks with a number of protocols on this subject.

Useful Links

Website

Github

Flipside

Twitter

Docs

Disclaimer

This proposal is powered by Skywards. The Aave Chan Initiative is not directly affiliated with Avalanche Team or Gogopool Protocol and did not receive compensation for creation this proposal.

Next Steps

1. Publication of a standard ARFC, collect community & service providers feedback before escalating proposal to ARFC snapshot stage

2. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal.

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