

ARC: Add OP as Collateral to AAVE v3

Summary

The proposal seeks to onboard the OP token as a collateral asset in Aave V3 on Optimism. The Optimism Foundation could also seed incentives while the initial liquidity of the pool is bootstrapped.

References

1. Project
2. <https://www.optimism.io/>
3. Documentation Portal
4. <https://community.optimism.io/>
5. Optimism Codebase
6. <https://github.com/ethereum-optimism/optimism>
7. Address
8. [Contract Address 0x420000000000000000000000000000000000000042 | Optimism](#)
9. Chainlink Oracle
10. [Contract Address 0x0D276FC14719f9292D5C1eA2198673d1f4269246 | Optimism](#)
11. Communities
12. Discord | 45.2k Members - <https://discord-gateway.optimism.io/>
13. Twitter | 222.8K Followers - <https://twitter.com/OptimismFND>
14. Mirror - <https://optimism.mirror.xyz/>
15. Twitch - <https://www.twitch.tv/optimismpbc>
16. Discord | 45.2k Members - <https://discord-gateway.optimism.io/>
17. Twitter | 222.8K Followers - <https://twitter.com/OptimismFND>
18. Mirror - <https://optimism.mirror.xyz/>
19. Twitch - <https://www.twitch.tv/optimismpbc>

Summary

Initially launched at the end of 2021, Optimism is an EVM equivalent L2 scaling solution. Optimism currently supports 100+ dapps and over \$500m in on-chain value. Optimism drastically improves Ethereum's scalability while retaining its security through rollup technology - having already saved its users over \$1B in gas fees.

The OP token is a governance token for the Optimism Collective. OP holders are currently able to vote on various decisions impacting the Collective, including the grants, protocol upgrades, inflation adjustments, and other fundamental changes. The Collective is committed to an [iterative governance system](#) that will evolve dynamically over time.

Optimism hopes to use the launch of this token to establish a deeper partnership between the Optimism and Aave communities. This proposal would enable OP as collateral on AAVE V3 on Optimism.

Motivation

With the recent release of the OP token, we want to bolster initial growth for Aave V3 on Optimism. This will benefit the Aave community by creating a vibrant ecosystem around Aave V3, while being a strong first use case for OP.

Aave would be one of the first platforms to support OP as collateral.

The OP token is one of the first and leading rollup technology ecosystem tokens, so the Aave community would be supporting the scaling of Ethereum and onboard the cohort of users coming with it. L2s being the home for AAVE v3 could also gain a lot from this synergy.

Overall, the use cases will create the opportunity to continue growing liquidity and usage of the Aave v3 pools on Optimism.

Specifications

The Optimism Foundation is submitting this ARC. The Foundation is a Cayman Islands foundation company. It serves as a steward for the healthy, sustainable development of the Optimism ecosystem.

As noted above, the OP token is a governance token for the Optimism Collective. At genesis there was an initial total supply of 4,294,967,296 OP tokens. The total token supply is set to inflate at a rate of 2% per year, unless changed through governance.

Since Aave v3 pools were recently deployed on Optimism, the use of OP as a collateral asset is the next logical step. We expect it would be the ideal home for OP pools on Aave, and for it to drive large amounts of volume to these pools. A strong bond between Optimism and Aave is a benefit to both communities. To fully realize this integration, OP would need to be added as collateral.

Risk Analysis

Proposed Risk Parameters

LTV: 30%

Liquidation Threshold: 50%

Liquidation Bonus: 12%

Reserve Factor: 30%

Add Supply Cap: 1M

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Risk Analysis

2214×302 117 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/6/67e3d337c9d0bf234de1f6b93f54a3c484121600.png)

A non-image version of this table can be found [here](#)

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*The above scores are based on our understanding of the Aave risk rubric today (and are subject to change as the Optimism network evolves).

Smart Contract Risk

The token is a standard ERC20 + ERC20Votes implementation from OpenZeppelin with no custom code. The OP token has had an average of 53,337 daily transactions and a total of ~2.24M transactions to date. There is a large distribution of the token with ~88k holders.

Counterparty Risk

For the initial airdrop, 5% of the initial OP supply was widely distributed to over 250,000 eligible addresses. 14% of the supply is reserved for future airdrops and 20% is reserved for RGPG where public goods will be retroactively receiving tokens. The OP token and bicameral governance system seeks to facilitate security and decentralization.

Market Risk

OP is one of the leading L2's and ecosystem projects. Token is traded across top-exchanges with large market caps and 24Hr volumes.