

title: [ARFC] USDT GSM Bucket and Exposure Cap increase

author: [@TokenLogic](#)

created: 2025-14-01

Summary

This publication proposes increasing the USDT GSM Bucket and Exposure Caps to 24M and 16M respectively.

Motivation

Over the past 24 days, the USDT GSM has rapidly filled from 0% to its full capacity. Notably, in the last 24 hours alone, \$3.4M USDT was deposited, bringing the module's total holdings to the maximum exposure cap of \$8M.

Ref: [Aave Analytics | TokenLogic](#)

The rapid shift in market conditions underscores that the current \$8M exposure cap is insufficient to meet user demand. Increasing the cap would enable the DAO to better accommodate market participants while further reinforcing GHO's peg.

Liquidity Dynamics

The recent inflows can be largely attributed to volatility in the USDT price evident on [Coingecko](#).

The volatility resulted in the Balancer 3pool rebalancing in favour of USDT and GHO. The zero fees from USDT to GHO via the GSM, supported USDT to GHO to USDC routing via aggregators.

Ref: Balancer at 11:28 GMT 13th January 2025.

Ref: <https://www.coingecko.com/en/coins/tether>

The price volatility was limited to USDT and as a result, no new USDC inflows into the GSM. However, with USDT still exhibiting slight volatility, the 3pool has experienced a minor imbalance, shifting liquidity from GHO to USDT, which now constitutes 48.2% of the pool. This indicates the potential for significant USDT inflows into the GSM.

Peg Stability and Market Resilience

The USDT GSM allows users to exchange GHO for USDT for a 0.20% fee, reinforcing GHO's peg stability and providing a robust defense against market volatility.

Increasing the Bucket Cap and Exposure Cap enables the GSM to Mint GHO upon receiving addition USDT deposits, strengthening the stability mechanism and further safeguarding GHO's value during turbulent market conditions.

Additionally, with GHO's Borrow Rate reduced to 9.00% and the current GSM fully utilized, GHO is well-positioned to support a significant expansion in supply.

StataUSDT GSM Migration

Using the ERC4626 GSM created by Aave Labs, a new USDT GSM is to be proposed that enables the Aave DAO to earn the aToken yield from USDT deposits into the Core instance of Aave Protocol.

This transition will enhance capital efficiency, diversify GHO's collateral base, and unlock additional revenue opportunities.

Revenue Projections: At the current \$8M cap, the USDT GSM would generate approximately \$565k in annualized revenue. Doubling the cap to \$16M could elevate revenue to an estimated \$1.13M.

Specification

The GHO Stewards are to perform the following parameter adjustments:

Description

Current

Proposed

Change

GHO Bucket Capacity

12M

24M

12M Up

USDT Exposure Capacity

8M

16M

8M Up

This proposal is to be implemented by the GHO Stewards.

Disclosure

TokenLogic does not receive any payment for this proposal.

Next Steps

The GHO Stewards will implement this proposal.

Copyright

Copyright and related rights waived via [CC0](#).