

Summary

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sUSD is a decentralized stable coin over collateralized by the SNX token. sUSD is already listed on AAVE markets as a lendable asset as well as SNX which can be used as collateral in addition to borrow/lending. There is significant liquidity for sUSD on both Mainnet and Optimism. I am proposing for it to be enabled as collateral on AAVE V3 on Optimism

Motivation

sUSD market cap has grown tremendously over the past year, and the steady demand for decentralized stable coins has contributed to its growth. sUSD is highly over collateralized by SNX, the governance token, and backstop for the Synthetix protocol.

The rise in its liquidity on major dexes has contributed to sUSD stability over the past year, and allowing collateral use would promote its liquidity in aave markets.

Rationale

SNX stakers are incentivized to actively manage their debt relative to their SNX stake and sometimes cause spikes in demand for sUSD on markets including AAVE (especially when there are other Yield generating opportunities with sUSD), this may cause small deviations from the peg but with low volatility.

From a counter-party risk perspective, all underlying functions in relation to sUSD are fundamentally the same as that of SNX.

The SNX and sUSD contracts are fully upgradeable. Still, all changes must go through a formal governance process from SIP to deployment, which would be announced well before the upgrades are made and thus does not present a substantial counter-party risk.

The sUSDv2CRV pool has deep liquidity on L1, and with incentivizes, the L2 pool will soon have deep liquidity.

In addition to sUSD, there are other synth pools on Curve with emission gauges to supplement sUSD liquidity (sBTC, sETH). All synths are redeemable at their dollar value in sUSD at the ChainLink quoted price through the Synthetix protocol or Curve (via cross-asset swaps); thus they help facilitate the arbitrage sUSD peg deviations.

references:

sUSD/3crv curve pool - TVL \$101M/27M sUSD

sBTC curve pool- TVL \$198M / \$66M sBTC

sETH curve pool- TVL \$86M / \$39M sETH

Technical Specifications sUSD

Chainlink sUSD price feed: [Decentralized Price Reference Data | Chainlink](#)

- set sUSD max LTV to 60%
- set liquidation threshold to 75%
- set liquidation penalty to 5%
- upgrade interest rate curve to that of DAI/TUSD
- Add sUSD as collateral on AAVE Optimism V3 (with below parameters)
- Do not add sUSD as collateral

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voters