

Summary

Sommelier is bringing its effective liquidity optimization to the GHO ecosystem with the [TurboGHO vault](#), going live September 14, 2023. The vault aims to capture GHO yield opportunities while defending the peg and providing highly efficient liquidity. We are asking that the TurboGHO vault be included in the discussion taking place in [ARFC 14801](#) around incentivizing GHO liquidity.

Introduction

Hello Aave Community, we are [Seven Seas](#), a data analytics company best known for our strategist work in the [Sommelier](#) ecosystem. Sommelier is an innovative asset management protocol that has a history of developing successful vaults that benefits both depositors and the protocols that the vaults interact with. All vaults are enabled by smart contracts audited by 0xMacro and controlled by protocol governance, ensuring transparency and security.

Sommelier is looking to enter the GHO ecosystem by helping to defend the GHO peg, build deep trading liquidity, increase swap efficiency, and expand DeFi adoption through a GHO-centric vault. This will be done through the upcoming 'Turbo GHO' vault expected to launch on September 14th, 2023. Because of the value Turbo GHO can contribute to the GHO ecosystem, we request it also be included in the plan and budget of [ARFC 14801 - Treasury Management - GHO Liquidity Strategy Update](#).

Turbo GHO will be a multi-strategy vault that aims to give depositors the highest yield available for GHO and GHO/stable pairs. The innovative Sommelier vault architecture will allow Turbo GHO to allocate to the strategy or strategies that are optimal based on market conditions. A major focus for Turbo GHO will be LPing on Uniswap V3 with GHO paired with either USDC, DAI, USDT, or LUSD (the paired stable coin will be decided upon based on volume and liquidity structures). This professional decentralized market making using concentrated liquidity will significantly help to improve the swap efficiency of GHO. In addition to Uniswap, the vault will also have the ability to update as new GHO strategies become feasible e.g. wGHO being supported as collateral on Aave.

Track Record

The strategy teams behind Turbo GHO, Seven Seas and DeFine Logic Labs, are highly skilled at designing vaults that are effective liquidity providers on Uniswap v3, especially for stable pairs. Some of their accolades include a vault that has been a top 5 performing LP on the 1bps USDC-USDT pool having market made \$1.93B in trading volume and, another vault that is the largest ETH-wstETH LP by trading volume (\$861M) and also one of the most efficient (shown in the chart below).

One major advantage of Sommelier vaults as LPs are their ability to dynamically change ranges. This will perfectly position the Turbo GHO vault to provide tightly ranged liquidity for GHO as it reperms. Furthermore, the vault will not face the challenge of other liquidity providers which may become very heavily concentrated with GHO, as the Sommelier vault will have USDC as the deposit asset which will put buy pressure on GHO, and the vault will be able to rebalance based on near real-time market conditions.

Sommelier also has experience operating vaults for assets experiencing depegging events. For example, the recently launched vault for the Swell ecosystem, Turbo swETH, has rapidly become the largest liquidity provider in the 0.01 swETH/ETH Uniswap V3 pool. Through advanced concentrated liquidity tick optimization, the vault has approximately 3.35% of the swETH liquidity while routing 79% of all swap volume.

Figure 1: Volume to TVL analysis for swETH liquidity

This means that the Sommelier vault is over thirty more times efficient than the closest other liquidity platform. Note that the TurboGHO vault will accept USDC as the deposit asset which enables it to directly support the GHO peg with buy pressure.

Proposal:

We request that the Turbo GHO vault be considered for inclusion in ARFC 14801 - Treasury Management - GHO Liquidity Strategy Update. Specifically, we request co-incentives at a similar level to the other opportunities receiving incentives in 14801 to develop \$5M+ TVL in the Turbo GHO vault. Co-incentives will be critical in making the vault attractive to potential depositors from a yield perspective because the other opportunities in the Liquidity Strategy are being so heavily incentivized.

Sommelier has already submitted a governance proposal for 135,000 SOMM (~\$18,900 at the time of submission) to help bootstrap liquidity, but those incentives alone cannot compete with the levels others are receiving in ARFC 14801.

Acknowledgements

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