

Title: [TEMP CHECK] Add FXS to Ethereum V3

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## Reference

Project: <https://frax.finance/>

Documentation: <https://docs.frax.finance/>

Governance Forum: <https://gov.frax.finance/>

Snapshot: [Snapshot](#)

Github: [frax.finance · GitHub](#)

Ethereum contracts: [0x3432B6A60D23Ca0dFCa7761B7ab56459D9C964D0](#)

Chainlink Oracle: [0x6Ebc52C8C1089be9eB3945C4350B68B8E4C2233f](#)

Audit: [Audits - Frax Finance](#)

Dune: [https://dune.com/wd021/FXS-\(FRAX-Shares\)](https://dune.com/wd021/FXS-(FRAX-Shares))

Twitter: <https://twitter.com/fraxfinance>

Telegram: [Telegram: Contact @fraxfinance](#)

## Summary

This TEMP CHECK presents the community with the opportunity to add FXS to the Ethereum v3 Liquidity Pool.

## Motivation

Frax Finance consists of a Stable-Protocol issuing Frax, FPI, FrxETH and Sub-Protocols such as Fraxlend, Fraxswap, Fraxferry, etc. Frax Shares Token (\$FXS) is Frax Finance's Governance Token & Utility Token.

Aave may facilitate diversification of GHO collateral by adding FXS. Also, FXS earned as revenue from the Aave V3 pool can be \$veFXS as a new strategic asset to be used as a boost trap for GHO and/or new aToken adoption.

## Specifications

What is the link between the author of the AIP and the Asset?

0xLide have no link and are not compensated to present this TEMP CHECK proposal

Provide a brief high-level overview of the project and the token.

Frax Finance operates three stablecoins, \$FRAX (USD peg), \$FPI (US CPI peg) frxETH (LST and ETH peg), and sub-protocols Fraxlend (lending) Fraxswap (DEX) and Fraxferry (bridge). As of September 12, DeFiLlama's Protocol TVL Ranking is #17

Frax Shares Token (\$FXS) is Frax Finance's Governance Token & Utility Token. There is a possibility of deflation. It also uses Curve's veCRV mechanism for its vesting and yield system, which can be used to specify the gauge and boost the yield.

Explain the positioning of the token in the AAVE ecosystem. Why would it be a good borrow or collateral asset?

FXS is suitable as an asset to be listed in Aave V3 and can be similar to BAL, SNX, CRV, etc. Also, FXS earned as revenue from the Aave V3 pool can be \$veFXS as a new strategic asset to be used as a boost trap for GHO and/or new aToken adoption.

Provide a brief history of the project and the different components: DAO (is it live?), products (are the live?). How did it overcome some of the challenges it faced?

FXS is a non-stable, utility token of Frax Ecosystem and retains rights to governance and all utilities of the Ecosystem. The

following are the main products and concepts of the Frax Ecosystem:

FRAX (USD Stablecoin): world's first decentralized stablecoin with parts of its supply collateralized and parts algorithmic stabilized Frax V2, launched in Q4 2021, introduces the idea of an "Algorithmic Market Operations Controller" (AMO), dramatically improving scalability and profitability. Frax V3, which introduces RWA, is scheduled to be launched in the near future.

Frax Pirce Index: Stablecoin, an inflation-linked currency linked to the CPI-U unadjusted 12 month inflation rate published by the US federal government. \*FPI growth is also linked to FRAX growth and FXS is designed to benefit from them.

frxETH and sfrxETH (ETH peg): \$ETH Liquid Staking Derivative Service launched in October 2022; as of September 2023, it is third in market capitalization behind Lido and RocketPool with approximately \$4.2m Dollar. The upcoming frxETH V2 is expected to be more decentralized, changing the Validator from Permissionless to Permissionless while maintaining high profitability.

Fraxswap, a native AMM: Fraxswap is the first AMM with time weighted average market maker orders used by the Frax Protocol for rebalancing collateral, mints/redemptions, expanding/contracting stablecoin supply, and deploying protocol owned liquidity onchain.

Fraxlend, permissionless lending markets: Fraxlend is the lending facility for Frax-based stablecoins allowing debt origination, customized non-custodial loans, and onboarding collateral assets to the Frax Finance economy.

Fraxferry, optimistic transfer protocol for Frax-based tokens: Fraxferry transfers natively issued Frax Protocol tokens across many blockchains.

Gauge Rewards System – The community can propose new gauge rewards for strategies that integrate Frax-based stablecoins. FXS emissions are fixed, halve each year, and entirely flow to different gauges based on the votes of veFXS stakers.

How is the asset currently used?

As of September 17, [73.9% of FXS are unlocked](#) About [50.8% have been staked as veFXS for an average of 1.84 years](#) and can be used for Gauge boost.Convex, Pitch, StakeDAO, etc. exist as [Liquid Wrappers](#).

Emission Schedule

The total supply of FXS is 100million FXS, with 60% distributed to liquidity programs (such as Gauge boost Reward) which halves every 12 months, 5% to DAO Treasury, and 35% to Team and investors. 35% (35millionFXS) applied to Team and investors has been unlocked as of July 2022. As of July 2022, the unlocking of the 35% (35millionFXS) allocated to Team and investors has been completed.

FXS supply is initially set to 100 million tokens at genesis, but the amount in circulation will likely be deflationary as FRAX is minted at higher algorithmic ratios. The design of the protocol is such that FXS would be largely deflationary in supply as long as FRAX demand grows.

Token (& Protocol) permissions (minting) and upgradability. Is there a multisig? What can it do? Who are the signers?

The Frax Protocol is owned and managed by veFXS Holder. The Frax Finance runs a Snapshot Subspace where they vote on Governance Proposals.Frax governance based on Compound/OpenZeppelin Governor that controls Gnosis Safes.

Frax Governance Overview: [Frax Governance Overview - Frax Finance](#) ▯

Market data (Market Cap, 24h Volume, Volatility, Exchanges, Maturity)

Market Cap(19 September 2023): \$392,832,760 \*Source: Coingecko

24h Volume(19 September 2023): \$26,491,511 \*Source: Coingecko

Decentralized exchange liquidity pools

FraxswapV2 FRAX/FXS [0x3F2E53B1A3036Fd33F3c2f3cC49daB26A88DF2e0](#)

UniswapV2 FRAX/FXS [0xb64508B9f7b81407549e13DB970DD5BB5C19107F](#)

Curve cvxFXS/FXS [0xd658A338613198204DCa1143Ac3F01A722b5d94A](#)

Social channels data (Size of communities, activity on Github)

Twitter: 7.7M

Telegarm: 20k

Github: 114

Risk Parameter

We propose the following parameters according to Gauntlet's recommendations

Ticker: FXS

Contract Address : [0x3432B6A60D23Ca0dFCa7761B7ab56459D9C964D0](#)

Gauntlet:

Parameter

Recommendation

Isolation Mode

YES

Borrowable

YES

Collateral Enabled

YES

Stable Borrowing

NO

Supply Cap (FXS)

800000

Borrow Cap (FXS)

500000

Debt Ceiling

\$4M

LTV

35%

LT

45%

Liquidation Bonus

10%

Liquidation Protocol Fee

10%

Reserve Factor

20%

Base Variable Borrow Rate

0

Variable Slope 1

0.09

Variable Slope 2

3.00

Uoptimal

0.45

#### Next Steps

- Gather recommendations from the Risk Management team and feedback from the community.
- If consensus is reached, escalate this proposal to the TEMP CHECK Snapshot stage.

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