

Title:

[ARFC] Increase GHO Borrow Rate to 5.22% on Aave V3

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Date:

2023-11-21

## Summary

This ARFC proposes an increase in the GHO borrow rate from 4.72% APR to 5.22% APR to support the GHO peg restoration and align borrowing costs with market rates.

## Motivation

Following [AIP-349](#), which allowed for 50 bps increments in the GHO borrow rate, the peg remains off-target at ~0.965 avg price. This increase is part of the direct-to-AIP process to incentivize repayment and help restore the peg.

## Specification

- Current Borrow Rate:

4.72% APR - ~4.83% APY

- Proposed Borrow Rate:

5.22% - ~5.35% APY

- New Discounted Borrow Rate:

~3.7% - 3.75% APY

The proposal also authorizes ACI to continue with up to 100 bps incremental increases every 7 days if required up to 9.5% if the monthly avg price of GHO stays outside a 0,995<>1,005 price range

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## Context

Comparative analysis with other stablecoins on Aave V3 shows that GHO's current borrow rate is lower, which may contribute to its underpeg. The following table illustrates average borrow rates:

Stablecoin

Average Borrow Rate

USDC

6.39%

USDT

7.29%

DAI

6%

GHO

4.83% (APY)

Given this discrepancy, it is unlikely that the current rate is sufficient to restore GHO's peg.

## Next Steps

1. Implement the proposed borrow rate increase via a Direct-to-AIP process.
2. Monitor GHO's peg and use authorized discretion for further rate adjustments.

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