



AAVE PICK OF THE MONTH REPORT

by [SIMETRI Research](#)

Feb 22, 2022 (v. 5.1.7.2.9)

AAVE PICK OF THE MONTH REPORT: AAVE Review and Evaluation

Safer Pick

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Quick Facts

Ticker

AAVE

Help

Current Price

\$135

Buy Up To Price

\$205

Market Capitalization

\$1,744,481,469

Circulating Supply

13,620,100 AAVE

Total Supply

16,000,000 AAVE

ATH Price

\$661.69 (May 18, 2021)

24H Volume

\$145,458,719

30-Day Average Price

\$158.73

30-Day Average Volume

\$151,348,800.86

Funding Information

- [\\$17.8 million](#) via ICO on Nov. 29, 2017 for 75% supply
- [\\$3 million](#) investment round led by Framework Ventures and Three Arrows Capital in July, 2020
- [\\$25 million](#) investment round led by Blockchain Capital in October, 2020

External links

 [Website](#) [Official Twitter](#)

 Official Discord

Summary

When the market is shaky, it's good to bet on seasoned builders. The ones that have already been through a bear market and kept building.

You can also bet on people with long-term vision and well-defined plans to expand their products. Most forks and copycats that emerged during this bull cycle will most likely die, but the original ideas will survive and evolve.

Finally, you can safely bet on the infrastructure plays. Top-level applications will emerge and decay, but core service providers will most likely cement their positions as they onboard more projects. It's a flywheel effect where developers choose strong infrastructure providers based on the experience of others.

It's a rare occurrence when you get all three factors of a safe bet in a single project. But, February's Safer Pick of the Month, Aave, combines all three.

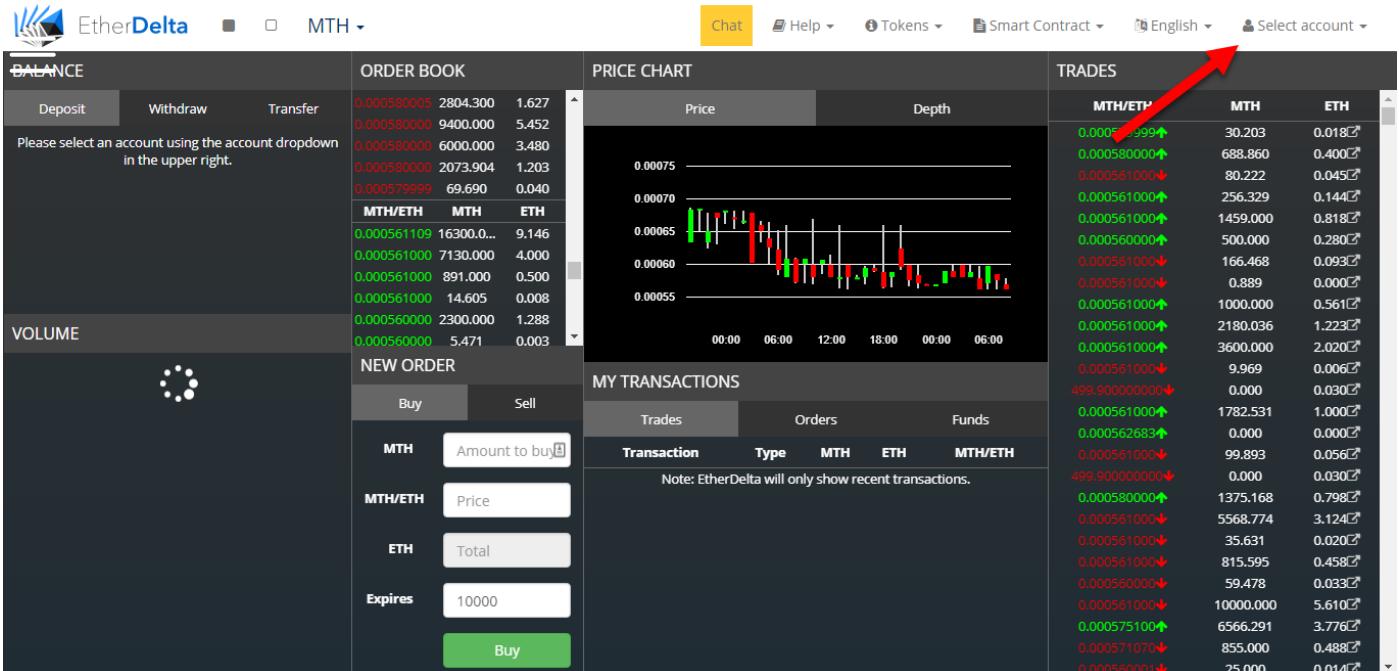
The project's native token, AAVE, is available on Coinbase if you are based in the United States and on Binance if you are based outside of the United States. Alternatively, you can use a decentralized exchange like Uniswap.

The instructions for doing so can be found at the end of this report.

Building During the Downturn

Aave has a long story behind it. It officially started under the name ETHLend in November 2017, a couple of months before the 2018–2019 bear market.

In 2017, DeFi was in its infancy. The most popular decentralized exchange was EtherDelta. Most of the financial activity in crypto revolved around trading on centralized exchanges or long-term holding.



EtherDelta looked bad and was painfully slow | Source: [Coingecko](#)

Stani Kulechov, the project's founder, and his “down to earth” team started an ambitious idea to offer people on-chain loans. Importantly, they started working on the project without any external funding, which shows that the lending topic genuinely interested them.

On-chain loans enabled people to access their money without selling their assets, which was previously impossible. If you bet on BTC or LTC in 2017, your funds were locked in those assets. On top of that, lending platforms like ETHLend enabled people to trade on margin or short-sell cryptocurrencies without the need to use centralized exchanges.

While the benefit of using ETHLend was clear, the implementation wasn't the greatest. The biggest obstacle for customers was that lenders and borrowers had to specify the terms and length of loans on a case-by-case basis, making it difficult for normal people to use the platform.

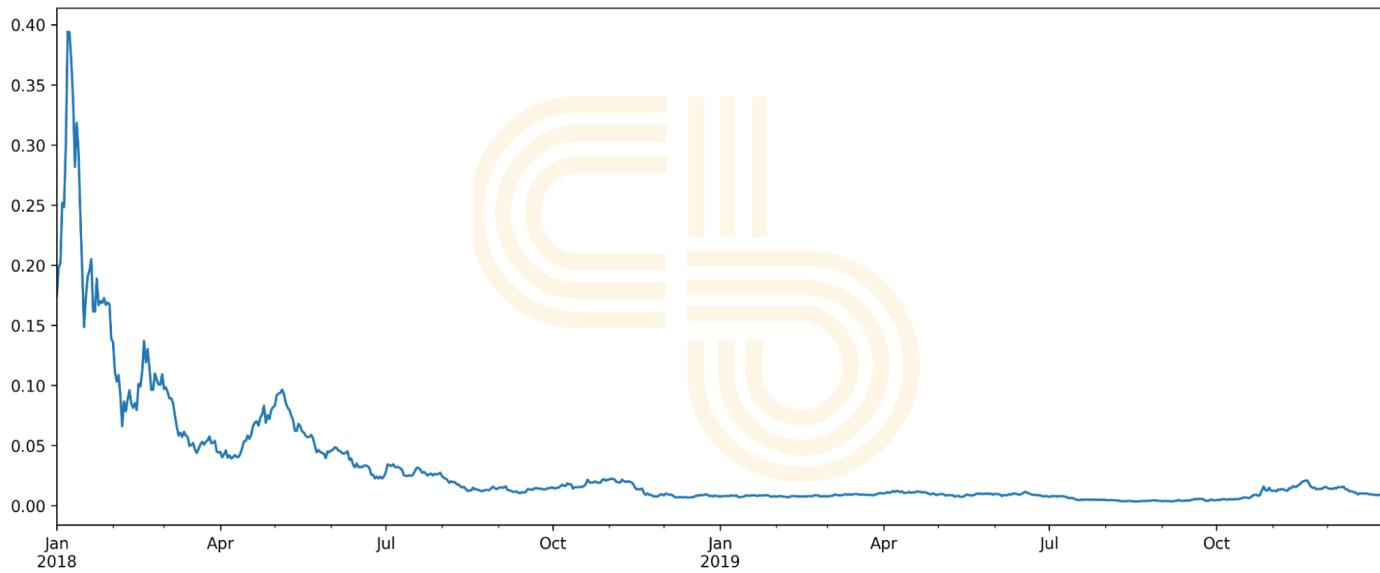
On top of that, the industry entered a long-lasting bear market, leaving only a handful of crypto believers using ETHLend.

The screenshot shows the ETHLend platform's user interface. On the left, there are filters for 'Collateral Currency' (set to REP), 'Loan Currency' (set to LEND), and 'Loan State' (set to 'Waiting for Borrower'). Below these are sliders for 'Monthly Interest (MPR)' (set to 1%) and 'Loan Period' (set to 30 days). The main content area displays 16 individual loan offers in a grid. Each offer card includes a logo, collateral amount, MPR, duration, loan amount, and a 'GET LOAN' button.

Offer Index	Collateral	MPR	Duration	Loan amount
1	133,410 REP	2.90 %	60 days	4.5 ETH
2	2,235,931 ZRX	2.90 %	60 days	4.5 ETH
3	7,080,896 PAY	2.70 %	60 days	9 ETH
4	124,8246 BNB	2.70 %	30 days	3.7 ETH
5	49,114.8002 LEND	2.50 %	60 days	2.6 ETH
6	843,5604 ZRX	1.70 %	60 days	1 ETH
7	25,937,6638 LEND	1.20 %	30 days	1 ETH
8	1,289,2783 ZRX	2.70 %	360 days	14,000 LEND
9	174,105.9207 LEND	1.80 %	180 days	6.2 ETH
10	18,863,9154 LEND	2.70 %	30 days	1 ETH
11	26,039,8905 LEND	1.00 %	30 days	1 ETH
12	32,1973 BNB	2.20 %	150 days	1 ETH
13	4,2879 BNB	3.00 %	30 days	0.1 ETH
14	345,1791 ELF	5.00 %	30 days	5,520 LEND
15	515,8905 OMG	6.66 %	30 days	10,000 LEND
16	17,773,3209 ZIL	4.50 %	30 days	0.6 ETH

ETHLend interface | Source: [Tokeny](#)

Along with most other tokens launched at that time, LEND dropped shortly after listing in 2018 and still hasn't recovered to these prices two years later.

LEND price | Source: [CoinGecko](#)

However, this didn't discourage the team from continuing to build, which is why unlike its competitors from the 2017 bull market like [SALT](#), it didn't go out of business. More than that, ETHLend eventually became a critical piece of a \$100 billion sector.

Evolution Is the Key

The first iterations of any software are flawed. Figuring out the right design and implementation from scratch is an extremely difficult task. That's why software is shipped in [versions](#).

For ETHLend, the problem was in usability. Lenders had to do preliminary research to offer competitive loan terms, while borrowers had to filter through available offerings. To solve this, the team implemented Compound's model of lending pools and rebranded to Aave.

Although the Aave team wasn't the first to introduce lending pools, that doesn't mean it's not innovative. There's plenty of evidence that the team constantly pushes the product's boundaries.

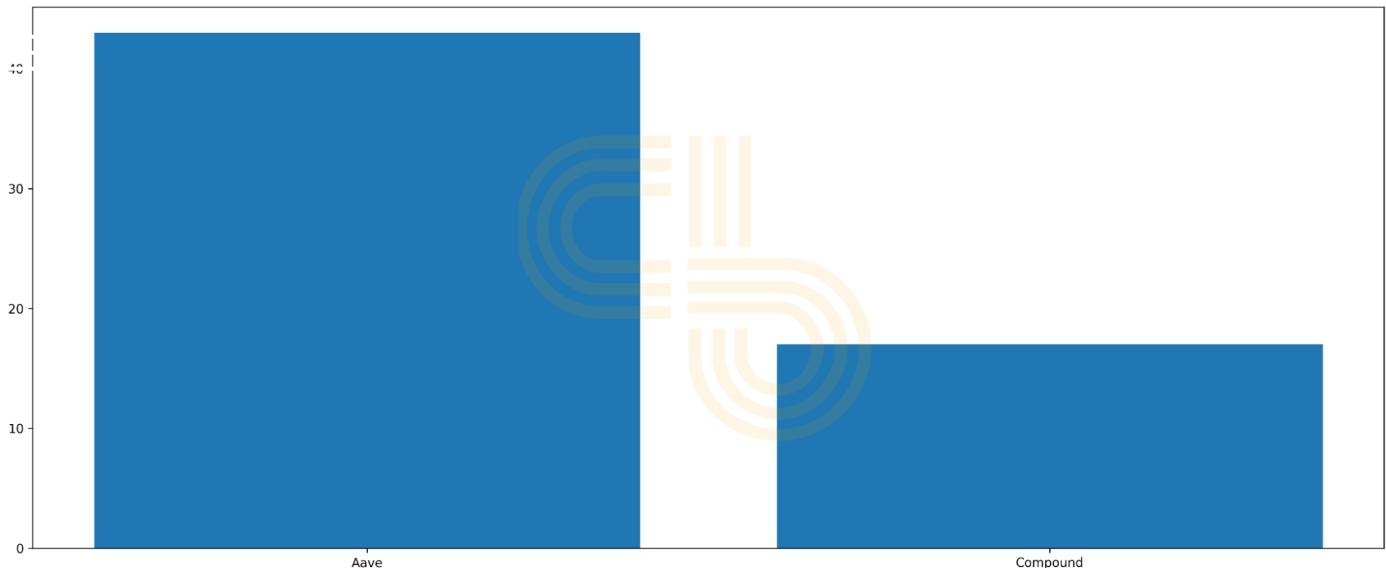
Transitioning from peer-to-peer to the pool model enabled Aave to quickly expand its total value locked (TVL). The interesting observation is that Aave managed to end 2020 only slightly behind Compound in terms of TVL. But, unlike Compound, it didn't need hefty incentives to convince users to lock assets in the Aave platform.

In 2021, Aave became the leading platform in terms of TVL. Why?

Name		Chains	1d Change	7d Change	1m Change	TVL	Mcap/TVL	Msize/TVL
1 AAVE (AAVE)		  	+1.93%	-8.29%	+16.89%	\$12.27b	0.15513	1.65499
2 Anchor (ANC)			+3.49%	+7.92%	+0.97%	\$8.83b	0.07076	1.18357
3 Compound (COMP)			+2.05%	-5.45%	+8.20%	\$6.68b	0.1138	1.61879
4 JustLend (JST)			+0.08%	+3.40%	+30.31%	\$1.88b	0.18512	
5 Venus (XVS)			-3.46%	-5.18%	+4.61%	\$1.5b	0.07413	1.47877
6 Iron Bank (IB)		  	+0.16%	+0.77%	-6.97%	\$1.18b		1.48709
7 Benqi (QI)			+0.58%	-10.99%	+5.57%	\$1.16b	0.07694	2.22406
8 Scream (SCREAM)			+2.22%	-4.25%	+208%	\$833.22m	0.01935	1.51388
9 Geist Finance (GEIST)			+2.22%	-5.02%	+103%	\$780.01m	0.06284	1.71605
10 Maple (MPL)			+2.30%	+15.95%	+27.30%	\$641.89m	0.13093	

Platforms ranked by TVL Platforms ranked by TVL. Source: DeFi Llama Source: DeFi Llama

Aave's team didn't stop at solving the peer-to-peer inefficiency issue. At the very basic level, the project added twice as many asset pools as Compound.



Number of assets available to lend and borrow on Aave and Compound | Source: [Footprint](#)

Moreover, unlike Compound which pursued [moving to its own dedicated chain](#), Aave launched on existing chains like Polygon, Avalanche, and Fantom. Thus, it benefitted from existing user bases on those chains. For instance, Aave's TVL is [over \\$3 billion](#) on Avalanche and [over \\$1 billion](#) on Polygon.

On top of that, Aave introduced other innovative products. One of the most important innovations has been the introduction of flash loans. Flash loans don't require collateral because they're returned in the same block.

This type of loan is too complicated for retail users but can be extremely handy for arbitrageurs who do business with bots.

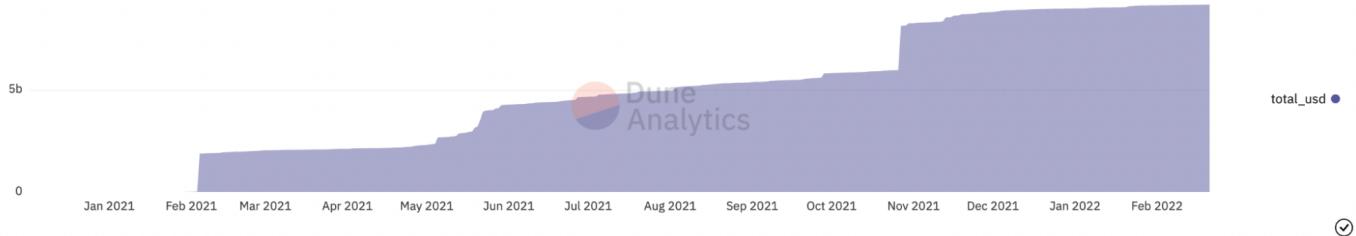
Consider the following situation: the price of ETH on Uniswap is \$2,500, but on the majority of other exchanges, it's already \$2,600. An arbitrageur sees the opportunity: if they buy ETH on Uniswap for \$2,500 and sell for \$2,600 on Sushiswap, they will profit.

To maximize profit, the arbitrageur uses a bot to borrow USDC from Aave, buy ETH on Uniswap, sell it at a profit on Sushiswap, and return the borrowed USDC to Aave. The entire chain of actions happens within a single block.

If the arbitrageur is successful, they pocket the arbitrage profit after paying the transaction fees. If the transaction fails, the arbitrageur only pays the transaction fee but doesn't end up with an asset that they can't sell at a profit anymore, which would happen if they used a regular loan instead of a flash loan.

Flash loans reduce risks for arbitrageurs and other value extractors. On top of that, they unlock large amounts of capital for various operations.

Aave V2 Cumulative Flashloan Volume



So far, Aave has processed over \$9 billion in flash loans | Source: [Dune Analytics](#)

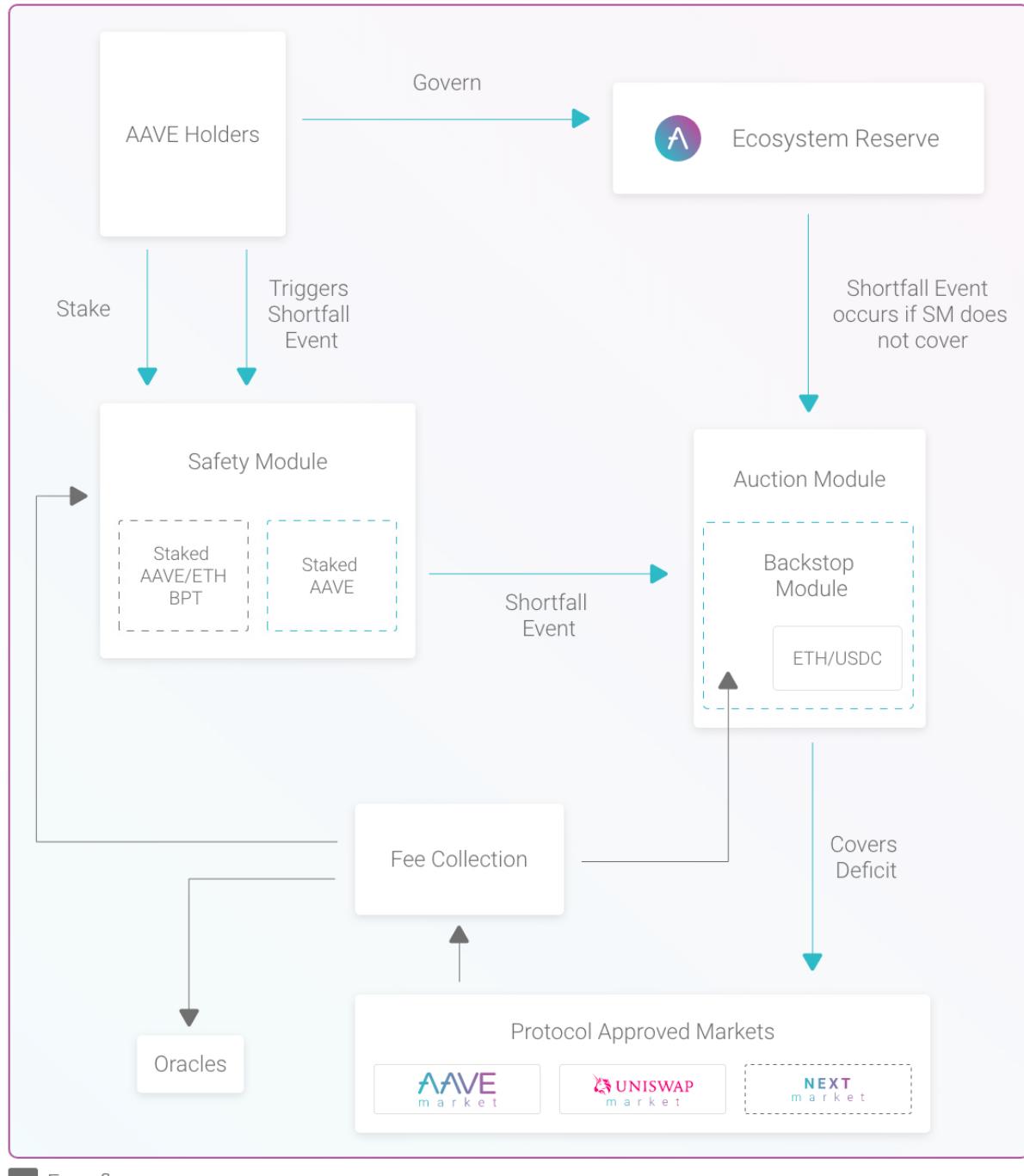
Rate swaps are something that Aave brought to the table that was ahead of its time. Fixed income is an important part of finance in general, and some crypto teams like [BarnBridge](#), Saffron Finance, and Element focused on providing it. However, Aave was one of the first to offer it.

Credit delegation is another innovation that Stani and his team introduced. Not all users deposit funds on lending platforms to borrow, but some people or organizations would benefit from additional borrowing capacity. So, Aave enabled depositors to allow third parties they trust to use their idle credit lines in exchange for some extra fees.

In addition to features, the protocol has a system to maintain security, which is important when it comes to concentrating billions of dollars in one place. That became especially apparent when one of Compound's users suffered a painful [\\$49 million liquidation](#), which might have happened due to issues with the platform's price oracle.

Aave has a system to backstop loss in adverse conditions or unforeseen events. If something goes wrong, money from AAVE stakers is used to cover up losses. If that's not enough, money set aside in their insurance fund.

Safety Module Architecture



Aave Safety Module. Note that for keeping the platform safe, AAVE stakers are compensated with fees |

Source: [Aave](#)

Overall, Aave working despite the decimation of the 2018-2019 bear market resulted in a fast-moving protocol that provides both innovative features and necessary security. Hence, it's not surprising that it's the top project by TVL and a well-established piece of DeFi infrastructure.

The Infrastructure Play

Aave isn't stopping on what it has achieved, which is why it will likely continue to cement itself as a protocol that other DeFi and TradFi projects will use. In the future, the project will have

more features, will get stronger in the multichain setting, and will probably bridge traditional and decentralized finance.

On January 28, 2022, Aave [tweeted](#) that its next iteration of the protocol, V3, is available on testnets. Among the list of the new features, there's one very important one: Portal. In short, Portal will enable Aave depositors to move their positions across chains.



Source: [Aave](#)

Liquidity is the oil that lets DeFi function properly, and bridges are the glue that holds chains together. The easier money can be moved between chains, the more usage the whole crypto space can generate.

Protocols like Connext, Hop, and Anyswap focus on cross-chain transfers and interactions. However, these projects struggle with liquidity, especially for large users. Aave's Portal can help with that and has the potential to become a critical multichain infrastructure piece.

On top of that, Stani and his team plan to expand Aave outside the blockchain space. Even ETHLend's whitepaper published years ago has plans for enabling unsecured loans and integrating blockchain into traditional finance.

Aave is the leading decentralized protocol when it comes to institutional adoption. The team has a vision that the popular anarchist direction isn't going to bring crypto mainstream. And it's hard to argue with this.

Institutional players are slow to adopt things mainly because they need time to train staff to work with new technologies. Plus, they need to stay compliant and implement practices like Know Your Customer (KYC) and Anti Money Laundering (AML). Generally, such an approach is a source of jokes and memes in the broader crypto community.

Aave, on the other hand, is actively approaching institutional players and provides them with a playground for testing things out. In January 2022, Aave launched its institutional product called Arc.

Aave Arc users need to go through a KYC process to get allowedlisted, and a third-party custodian, Fireblocks, holds their funds. This is a stark contrast to what DeFi participants used to see, but it is a step in the right direction if the industry is to grow.

The project already had a permissioned pool but experienced backlash from some active community members. Still, the team has stuck to its vision, which is encouraging.

If institutions like Arc, they will eventually implement it in their applications. This, in turn, will open DeFi to a much broader audience. People will continue to use apps familiar to them like those by Chase Bank, but Chase Bank will pull liquidity from DeFi and use DeFi features in the back end. So, end users will be consuming DeFi products without even knowing it.

Overall, Aave has everything it needs to remain an integral part of DeFi and has the potential to secure its place as a base-layer protocol for traditional finance.

Team



Stani Kulechov (Founder, CEO)

Stani studied at the University of Helsinki, the same place where the creator of Linux, Linus Torvalds, studied. He was building software from his early years but studied law later in his life.



Emilio Frangella (Lead Engineer)

before joining Aave, Emilio had over ten years of experience as a developer and analyst.



Christina Beltramini (Head of Growth)

before joining Aave, Christina worked in J.P. Morgan and Tiktok. This should give her an advantage in bringing potential clients to Aave Arc.

Aave has a few dozen people on the team. Still, Stani makes a bet on the community's growth and the expanding role of the DAO and believes that eventually, the team should only ship necessary updates, and the community should be in charge of the rest.

Tokenomics

Most of the 16 million AAVE supply is already circulating, while some tokens are locked in the rewards contract. As such, there will not be substantial inflation or supply pressure like many other DeFi protocols.

However, one of the drawbacks of token economics is the lack of incentives to use AAVE. So far, it's largely a governance token with an added incentive for stakers.

At the current stage of the market that has vote-escrow models like Curve, which forces even old projects like Yearn to adjust, Aave tokenomics is lackluster. Unlike Curve and projects with a similar token economics, there's no incentive to accumulate and lock up Aave for long periods.

Still, the same can be applied to most DeFi protocols and should not be considered a significant downside. The market's participants make bets on protocols that have catalysts, and Aave will have no shortage of events that could help the token appreciate.

Conclusion

Overall, Aave is one of the few projects that earned substantial traction because its team was able to grind through an excruciating bear market. AAVE's price was flat for two years. Nevertheless, the project remained focused and kept building a better product.

It's the project that addresses a clear need in the market and pushes boundaries, regardless of market conditions. Given the criteria for our Safer Pick, it's a perfect fit for a project that can survive adverse market conditions. Therefore, AAVE is SIMETRI Safer Pick of the Month for February.



AAVE ADDRESSES A CLEAR NEED IN THE MARKET AND PUSHES BOUNDARIES, REGARDLESS OF MARKET CONDITIONS. THEREFORE, IT IS SIMETRI SAFER PICK OF THE MONTH FOR FEBRUARY

* 1. Based on what you've seen, how would you rate the quality of this report?



NEXT

0 of 3 answered

powered by

How To Buy AAVE

Step 0: Choose an exchange

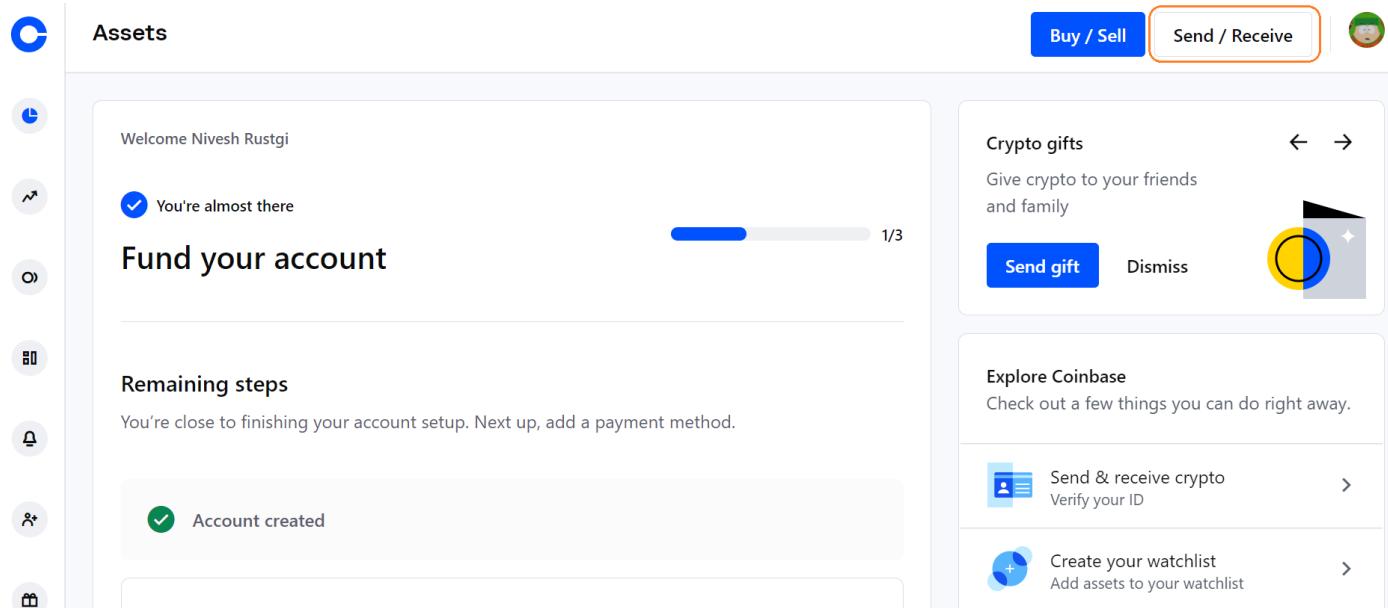
AAVE is trading both on centralized and decentralized exchanges on Ethereum, Polygon, Avalanche, and Fantom like [Uniswap](#) and [Sushiswap](#).

You can see the list of available centralized exchanges [here](#). In the following instruction, we're using [Coinbase](#) for U.S. residents and [Binance](#) for non-U.S. residents.

Step 1: Add funds to your exchange wallet

Deposit via crypto, or a wire transfer to your preferred exchange (Coinbase, Binance) wallet.

Coinbase: When you log in to your Coinbase account, select the 'Send/Receive' button on the top right corner to fund your Coinbase wallet.



From the pop-up menu, enter the 'Receive' tab and select the cryptocurrency you want to deposit. Once you've selected the cryptocurrency, copy the receiving address, or scan the QR code from your mobile device.

The screenshot shows the Coinbase 'Deposit' interface. At the top is a large QR code. Below it, a button says 'SELECT CRYPTOCURRENCY TO DEPOSIT'. A dropdown menu is open, showing 'Asset' and 'Bitcoin' selected. To the right of the dropdown is a 'COPY ADDRESS HERE' button with a clipboard icon. Below the address is a placeholder: '39CjdRUbdXiNR1cjMkaL9RYpQXe48TtWMT'. A note below the address says 'Only send Bitcoin (BTC) to this address'. At the bottom, it shows 'BTC balance 0 BTC ≈ ₹0.00'.

Crypto gifts
Give crypto to your friends and family

Send gift Dismiss

Explore Coinbase
Check out a few things you

Send & receive cryp
Verify your ID

Create your watchli
Add assets to your wa

Manage settings

Wait for the exchange to confirm your deposit. This time can vary based on cryptocurrency

Binance: Hover over the 'Wallet' tab in the top menu and choose the 'Fiat and Spot' option.

The screenshot shows the Binance homepage. At the top, there's a navigation bar with links like 'Buy Crypto', 'Markets', 'Trade', 'Derivatives', 'Finance', 'NFT', 'Orders', 'Downloads', and language/region settings. The 'Wallet' tab is highlighted with a blue border. On the left, a large button says 'Buy & sell Crypto in minutes'. Below it, there are several price cards: BNB/BUSD (-0.63%), CHESS/BUSD (33.32%), QI/BUSD (-26.38%), SHIB/BUSD (0.00%), and BTC/BUSD (0.23%). A note at the bottom says 'We use cookies to enhance your experience, analyze our traffic, and for security. By visiting our website you agree to our use of cookies.' with a link to 'Read more about cookie'.

The screenshot shows the Binance Wallet interface. On the left, there's a sidebar with options like Overview, Fiat and Spot (which is selected and highlighted in yellow), Margin, Futures, Funding, and Earn. The main area is titled "Fiat and Spot" and shows the following balance summary:

Fiat and Spot balance	Spot balance	Fiat balance	Yesterday's PNL
0.00579727 BTC ≈ \$340.94	0.00579726 BTC ≈ \$340.94	0.00000000 BTC ≈ \$0.000000	+\$8.79 +2.62%

At the top of the main area, there are buttons for Deposit (highlighted with a blue box), Withdraw, Pay, Transfer, Wallet Direct, and Deposit Withdraw History.

Choose your deposit cryptocurrency from the drop-down list, select the blockchain you want to use in the 'Network' section, and copy the deposit address. Currently, Binance allows buying AAVE with USDT, BTC, and BUSD, BNB, and ETH.

Deposit Crypto

Select coin

Coin

T
USDT TetherUS

Deposit to

Network

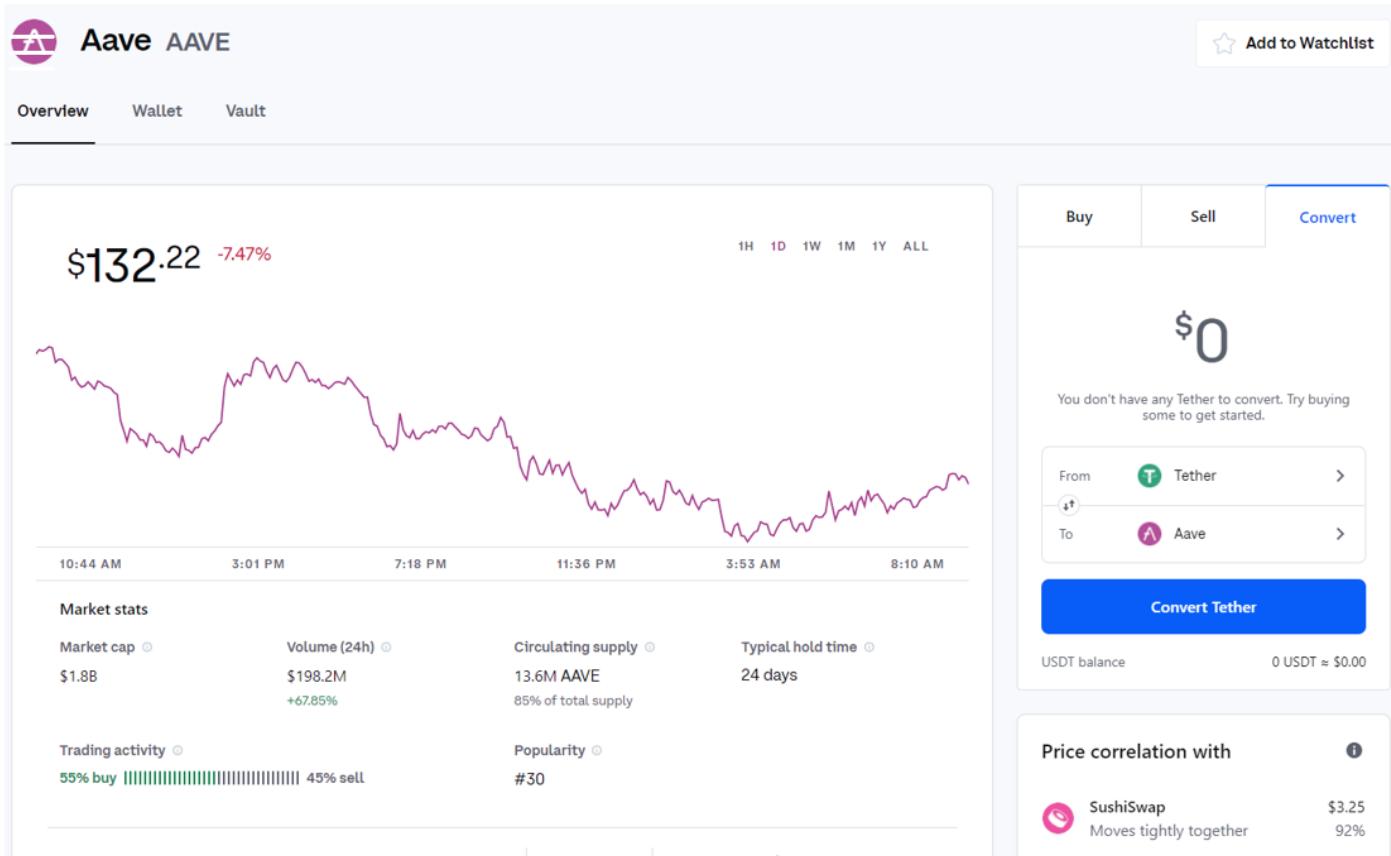
C
Select network

Step 2: Buy AAVE

Coinbase: Once your deposit is completed, Select the 'Buy/Sell' option on the top right corner.

The screenshot shows the Coinbase Assets page. At the top, there are tabs for Assets (selected) and Wallet. On the right, there are buttons for Buy / Sell (highlighted with a blue box) and Send / Receive. Below these, there's a table showing asset holdings.

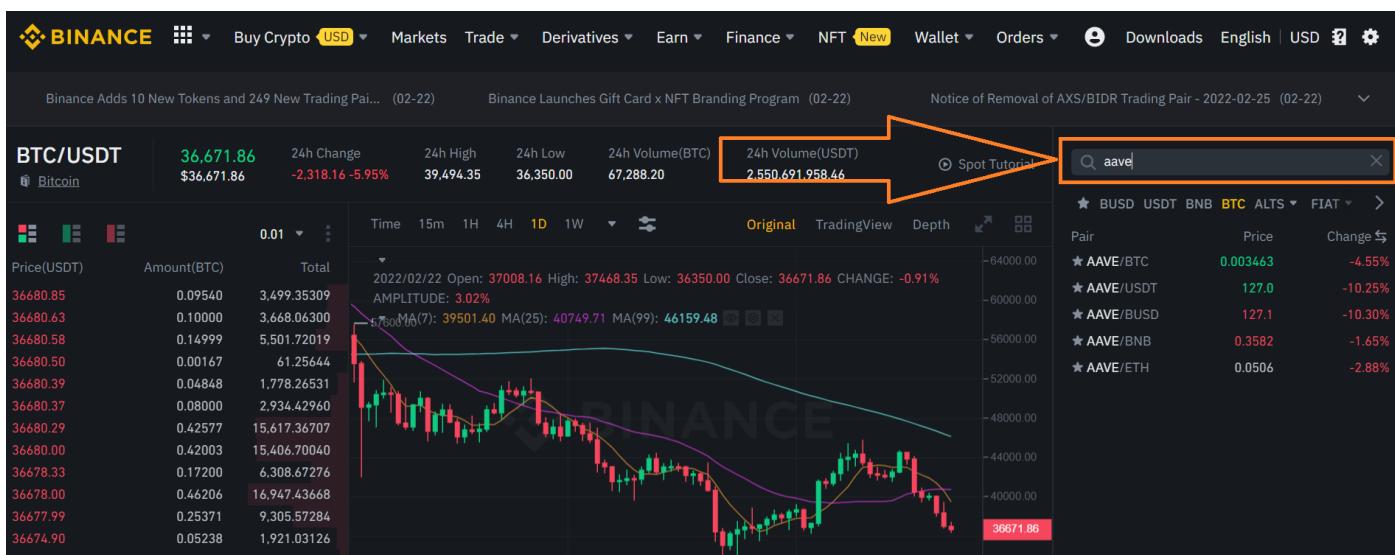
Go to the 'Convert' tab of the trading page and buy AAVE by swapping for the deposited crypto. For instance, in the image below, we convert Tether (USDT) to AAVE.



Binance: Hover over the 'Trade' section and select 'Classic.'

The Binance homepage features a prominent 'Buy & sell Crypto' button. The 'Trade' section is highlighted with an orange box, indicating the transition to the 'Classic' interface, which is described as 'Simple and easy-to-use interface'.

Search for AAVE token in the search bar.



Once you've selected a trading pair from the dropdown list in the search bar, scroll down to the trading area at the bottom of the page.

Make sure you're on the 'Spot' tab, and after selecting an appropriate order size, click on 'Buy AAVE' option. You can either set a Limit or Market order for the purchase.

Limit order enables you to set a desirable price that can be lower than the current market price and place it to be filled at a later time. *Market order* buys the crypto right away at the *lowest ask price* in the market.

Price	Amount	Price	Amount
127.1 USDT	AAVE	127.1 USDT	AAVE
Total	USDT	Total	USDT

Market Activities

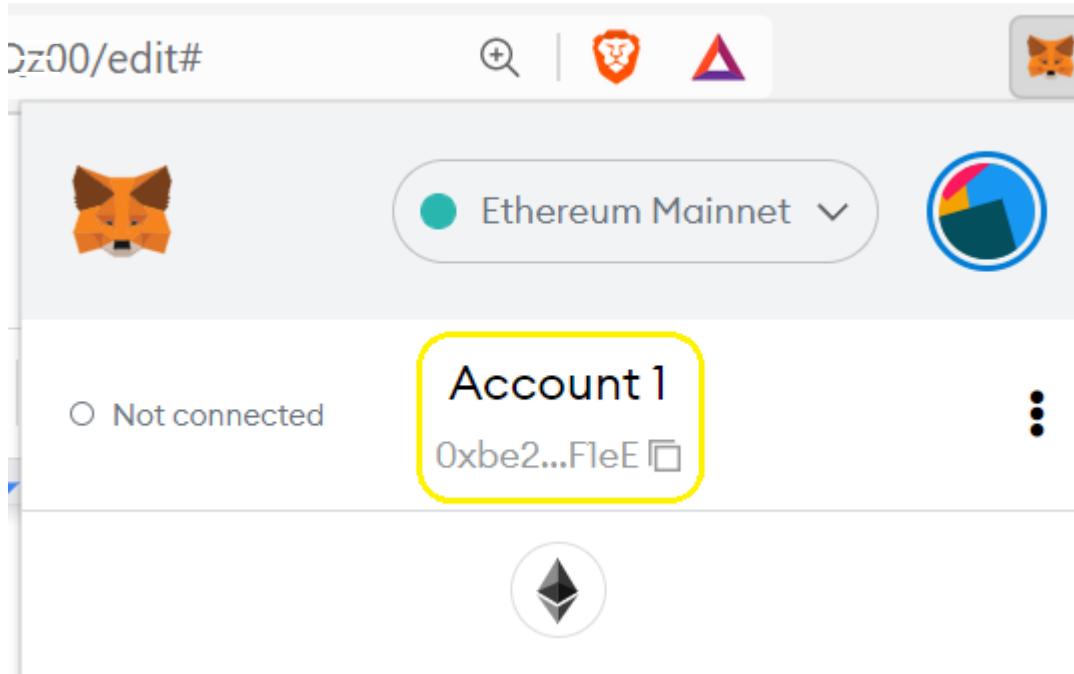
- AMP/USDT -18.20% New 7-day Low
- AAV/USDT -11.03% New 24h Low

We do not recommend keeping your crypto in an exchange wallet. It's better to withdraw funds to a self-custody wallet. You can withdraw it to your wallet controlled by [Metamask](#).

Step 3: Add AAVE to your Metamask Wallet

Install Metamask browser extension for your Google Chrome browser [here](#). You can follow the steps in our YouTube [video](#) for creating a wallet.

To add AAVE to your Metamask wallet, go to the browser extension and make sure you're on the Ethereum mainnet network. Hover over the Account section to copy your Metamask address.

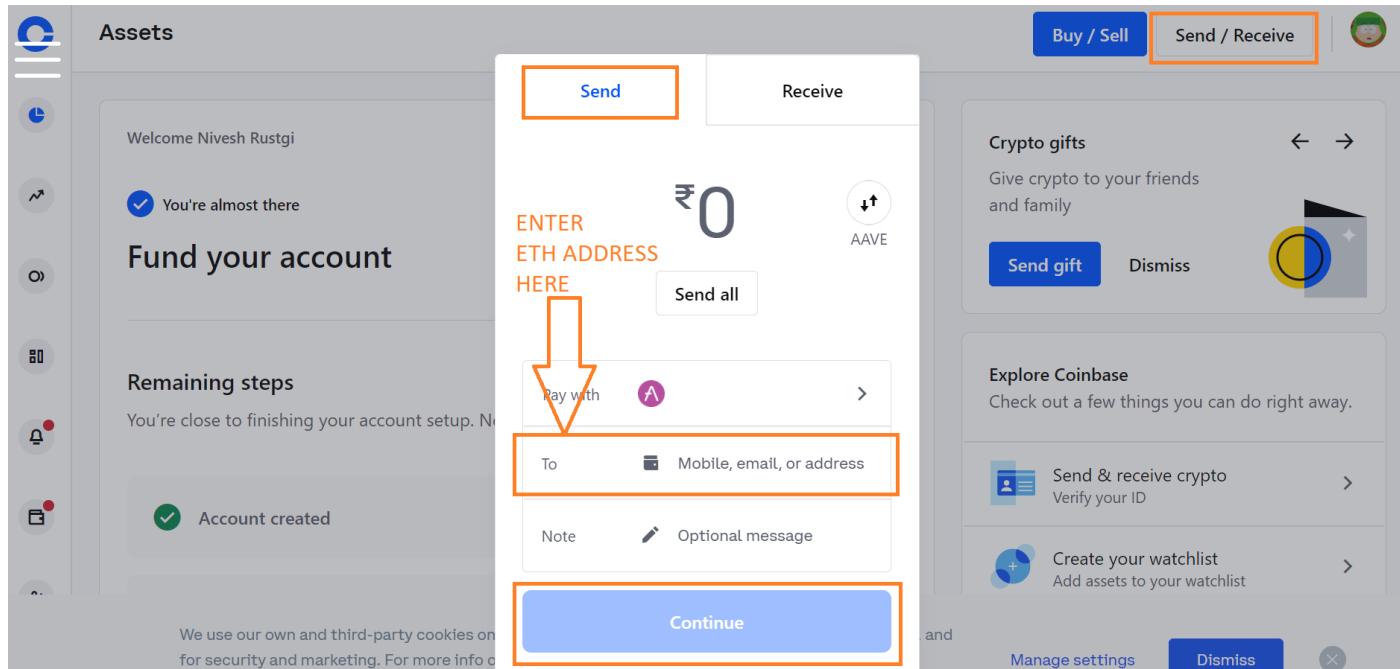


Then, go to [Coingecko's AAVE page](#) and select the Metamask fox icon to add AAVE to your wallet. Click on 'Add Token' from the Metamask extension pop-up to complete the process.

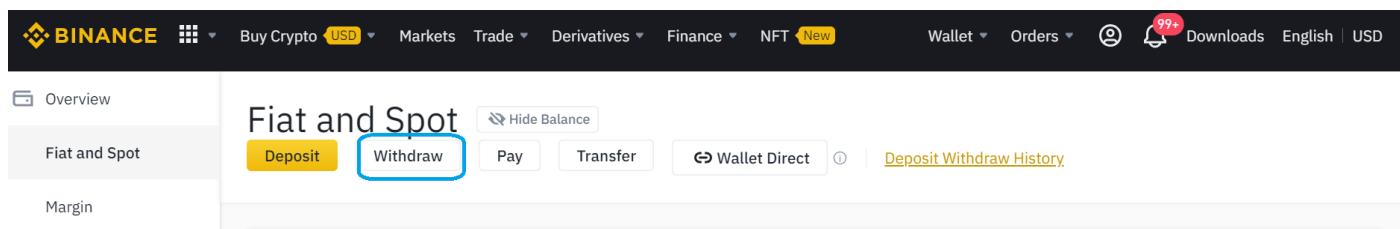
Metric	Value
Rank	#62
Price	\$127.42 -10.2%
24H Range	\$144.77
Market Cap	\$1,737,576,179
24 Hour Trading Vol	\$140,834,037
Fully Diluted Valuation	\$2,041,190,472
Total Value Locked (TVL)	\$11,627,187,152
Fully Diluted Valuation / TVL Ratio	0.18

Step 4: Withdraw to your wallet

Coinbase: Select the 'Send/Receive' button as you did in Step 1 and one the 'Send' tab, go to the 'Pay with' option and choose AAVE from the list of cryptocurrencies. Then, enter your receiving wallet address in the 'To' option.



Binance: Head over to the '*Fiat and Spot*' option in the Wallet section and select the '*Withdraw*' option.



Paste your Metamask address, and select the Ethereum Network to make the withdrawal. The withdrawal fee on Binance is 0.32 AAVE (worth around \$40).

Select coin

Coin



AAVE Aave

Withdraw to

New Address

Address Book

ENTER

ETH

ADDRESS HERE

Address

0xbe24deF39282EaEabF41042e1F69FBe9BC1aF1eE

Network

ETH Ethereum (ERC20)

Withdraw amount

Amount

8,000,000.00 BUSD/8,000,000.00 BUSD 24h remaining limit

Minimal 0.64

MAX | AAVE

 Spot Wallet

0 AAVE

Transfer

 Funding Wallet

0 AAVE

Receive amount

0 AAVE

0.32 AAVE network fee included ⓘ

Withdraw

Buying AAVE on Uniswap (Ethereum)

Step 1: Make sure you have ETH

If you're using Uniswap, make sure you have ETH. You will need it to pay for gas, even if you use stablecoins or any other tokens to buy AAVE.

Step 2: Go to the trading pair

Use [this link](#) to go directly to the AAVE trading pair on Uniswap.

Choose the amount you want to buy and click on 'Swap.' Metamask will show you an approximation of the gas fee for the transaction. If you deem it too expensive, you can reject the transaction and try again later when the [network activity](#) reduces. However, by that time the AAVE price may change.

Swap

1 | ETH ✓

\$2,533.96

↓

19.7108 | AAVE ✓

\$2,506.31 (-1.09%)

① 1 AAVE = 0.05073 ETH (\$127.154) \$21.15 ✓

Connect Wallet

To view the AAVE balance on your Metamask wallet, go to [this link](#) and press the Metamask icon. The addition process is automatic.

Coins > Aave Price

Rank #62

Aave (AAVE)

\$127.42 ▼10.2%

0.00346835 BTC -4.5%
0.05034029 ETH -3.2%

126,201 people like this

\$126.52 24H Range \$144.77

Market Cap	\$1,737,576,179	Circulating Supply	13,620,100	Search on
24 Hour Trading Vol	\$140,834,037	Total Supply	16,000,000	Source Code
Fully Diluted Valuation	\$2,041,190,472	Max Supply	16,000,000	API id
Total Value Locked (TVL)	\$11,627,187,152			Tags
Fully Diluted Valuation / TVL Ratio	0.18			Near Protocol Ecosystem

Buy / Sell ▾ Long / Short ▾ Earn / Loan ▾

Info

- Contract: 0x7fc...ddee9
- Website: app.aave.com
- Etherscan
- Explorers
- Community
- Reddit
- Twitter
- Facebook
- Telegram
- Discord
- Instagram
- Bitcointalk
- Twitter
- Github
- aave
- Near Protocol Ecosystem

If you want to use a decentralized exchange on Polygon, Avalanche or another Layer-2 chain, the process is similar.

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