

LENDING / LIQUIDITY / GOVERNANCE

AAVE

AAVE PROTOCOL

THE GOVERNANCE TOKEN AROUND AN ONCHAIN LENDING SYSTEM WHERE SUPPLIERS EARN BORROWER INTEREST AND UNDERCOLLATERALISED POSITIONS CAN BE LIQUIDATED.



TOKEN	ROLE
ETHEREUM ERC-20	GOVERNANCE + LEGACY STAKE
MAX SUPPLY	SECTOR
16 MILLION	DEFI LENDING

LIQUIDITY	CREDIT	RECEIPT	BACKSTOP	ARCHITECTURE
SUPPLY	BORROW	aTOKEN	UMBRELLA	V4 LIVE
Earn borrower interest	Post collateral + pay	Tracks supplied position	aTokens + GH0	Hub + Spoke markets

01 60-SECOND EXPLANATION

AN ONCHAIN MONEY MARKET—NOT A BANK ACCOUNT.

Aave connects **liquidity suppliers** with overcollateralised borrowers through smart contracts. Suppliers receive aTokens and earn variable interest funded by borrowing demand.

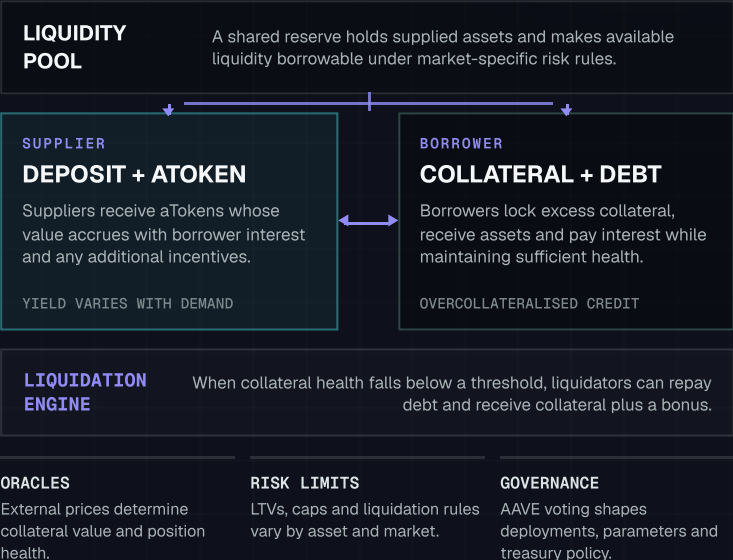
Key distinction: AAVE is not the interest-bearing deposit receipt. Users can supply or borrow without owning AAVE; the token governs the system around those markets.

CORE DESIGN THESIS

- 01 **Pool liquidity:** supplied assets become available for borrowers while unused liquidity remains withdrawable.
- 02 **Price utilisation:** rates react to how much of each reserve has been borrowed.
- 03 **Protect solvency:** collateral limits, oracles and liquidators aim to keep debt covered.

02 LENDING ARCHITECTURE

SUPPLY. BORROW. LIQUIDATE.



03 WHY AAVE EXISTS

UTILITY / 01	UTILITY / 02	UTILITY / 03	POLICY / 04
GOVERNANCE	DELEGATION	LEGACY STAKING	DAO BUYBACKS
AAVE, stkAAVE and aAAVE voting power can shape protocol and treasury decisions.	Holders can delegate voting power without transferring token ownership.	stkAAVE can earn incentives while accepting governance-defined slashing exposure.	Revenue-funded purchases created demand, but the program has been paused since April 2026.

IMPORTANT: supply APY belongs to suppliers holding aTokens. It is not an automatic dividend paid to AAVE holders, and DAO-acquired AAVE is not necessarily burned.

04 LIVE DATA - CHECK WHEN VIEWING

LENDING MARKETS	PROTOCOL SCALE	BACKSTOP	TOKEN LEDGER
Aave Markets >	Defillama >	Umbrella >	Etherscan >
Supply, borrow + APYs	TVL, loans + revenue	Staked assets + risk	Supply, holders + transfers

SUPPLY / REVENUE / GOVERNANCE

PROTOCOL REVENUE GROWS. DOES VALUE REACH AAVE?

The lending product produces activity and DAO revenue, but token-holder value depends on governance-controlled policy.

05 GENESIS SUPPLY ALLOCATION

16 MILLION AAVE MAXIMUM SUPPLY

LEND redemption pool

13M / 81.25%

Ecosystem Reserve

3M / 18.75%

The 2020 framework migrated 100 LEND into 1 AAVE. Remaining reserve tokens can fund incentives, contributors and governance-approved programs.

SUPPLY FIXED-CAP VIEW

16M MAXIMUM AAVE SUPPLY

NO PROGRESSIVE MINT ABOVE CAP

A fixed maximum does not eliminate market supply changes. Reserve distributions add circulating supply; DAO buybacks can move tokens back into treasury holdings.

Check [live supply + holders](#) >

SUPPLY FORCES Circulation can still move.	Outflow: Ecosystem Reserve incentives, service-provider budgets and legacy staking rewards can distribute AAVE.	Inflow: DAO buybacks acquired AAVE from the market—but purchases have been paused since 19 April 2026.
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06 TOKEN VALUE FLOW

PRODUCT REVENUE REACHES TREASURY POLICY FIRST.

LENDING ACTIVITY

Borrow interest, flash-loan fees, liquidation economics and other mechanisms create protocol activity.

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SUPPLIERS + DAO

Most borrower interest rewards suppliers; defined protocol shares and other revenue can enter DAO-controlled reserves.

→

GOVERNANCE POLICY

The DAO can fund risk systems, operations, incentives, liquidity or AAVE purchases according to approved decisions.

Not automatic: Aave revenue is not continuously distributed to every AAVE holder as cashflow or a dividend.

Not a burn: purchased AAVE can remain in treasury for future rewards or programs; acquisition alone does not destroy supply.

07 ROADMAP + POLICY SIGNALS

LIVE ARCHITECTURE. CONDITIONAL TOKEN POLICY.

Reviewed August 2026. Check live governance and funding updates before treating a policy as permanent.

LIVE PRODUCT	V3 + V4: Aave lending is active across multiple networks; V4's Hub-and-Spoke architecture is live on Ethereum and Avalanche.
LIVE SAFETY	Umbrella: reserve-specific aTokens and GHO can automatically absorb deficits; legacy stkAAVE remains separate.
PAUSED POLICY	AAVE buybacks: purchases stopped after the rsETH bridge incident to preserve DAO cash; watch official funding updates for resumption.

08 WHAT TO MONITOR

LIQUIDATION + ORACLE

Incorrect prices, thin liquidity or fast collateral declines can turn position risk into protocol deficits.

CONTRACTS + BRIDGES

Multi-chain deployments, integrations, upgrades and bridged assets expand the technical failure surface.

GOVERNANCE CONTROL

Token-weighted votes, delegates, guardians and bounded stewards concentrate meaningful operational authority.

TOKEN VALUE POLICY

Umbrella is not AAVE-centered, buybacks are paused, and product growth does not guarantee direct holder return.

SOURCES + LIVE-DATA PROVIDERS

1. Aave - live markets

2. DefiLlama - live metrics

3. Aave - V3 guide

4. Aave - Umbrella UI

5. Aave - Umbrella docs

6. Aave - voting

7. Aavenomics - supply

8. DAO - buyback history

9. DAO - buyback pause

10. Aave - V4 Ethereum

11. Aave - V4 Avalanche

12. Etherscan - AAVE

ALPHASTACK BYBIT LINK

TRADE CRYPTO ON BYBIT

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AlphaStack may earn rewards from eligible activity. Availability varies by jurisdiction; check eligibility and platform terms. Perpetuals and leverage can cause rapid or total loss.

REVIEWED: 30 AUG 2026

EDUCATIONAL RESEARCH - NOT FINANCIAL ADVICE

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