Simple Summary

A proposal to adjust twelve (12) total risk parameters across eight (8) Aave V2 assets including LTV, Liquidation Threshold, and Liquidation Bonus.

Abstract

This proposal is a batch update of risk parameters to align with the theModerate risk level chosen by the Aave community. These parameter updates are a continuation of Gauntlet's regular parameter recommendations.

Motivation

This set of parameter updates seeks to maintain the overall risk tolerance of the protocol while making risk trade-offs between specific assets.

In addition, we propose to enable utilizing FEI as a collateral on Aave. The initial parameters for FEI will be an LTV of 50%, a Liquidation Threshold of 60%, and a Liquidation Bonus of 6.5%. Most of the stablecoins that can be used as collateral are more liquid, and our platform's analysis recommends initially capping the amount of collateral that can be liquidatable to the average daily trading volume. If user behavior and market conditions over the coming months continue to show safe conditions for increasing capital efficiency on FEI, we shall recommend ramping up the LTV and Liquidation Threshold incrementally.

Specification

This past week did not see outsized changes in market conditions nor within the Aave protocol. There were slight volatility drops and increases in trading volume and liquidity for most assets. Our platform recommends the following set of parameter changes that will decrease liquidation bonuses on several less-utilized assets.

Parameter

Current Value

Recommended Value

BAL Liquidation Bonus

8.0%

7.5%

CRV Loan To Value

45%

55%

DPI Loan To Value

65%

70%

DPI Liquidation Bonus

8.5%

7.5%

DPI Liquidation Threshold

70%

75%

ENJ Loan To Value

60%

70%

FEI Loan To Value

0%

50%

FEI Liquidation Threshold

0%

60%

FEI Liquidation Bonus

0%

6.5%

MANA Loan To Value

65%

70%

MKR Liquidation Bonus

8.0%

7.5%

UNI Liquidation Bonus

8.0%

7.5%

Risk Dashboard

The community should use Gauntlet's Risk Dashboard to better understand the updated parameter suggestions and general market risk in Aave V2.

Next Steps

- Initiate a Snapshot immediately since the community has already weighed in on changes of this nature recently.
- Targeting an AIP on 2022-01-18