Simple Summary

A proposal to grant Chaos Labs and Gauntlet the authority to provide final recommendations and approve the use of the Grace Sentinel via the Aave Guardian.

Motivation

In response to a reported security threat identified in the Aave bug bounty program on November 4th, 2023, the Aave Guardian has taken the precautionary measure of pausing several pools on both Aave V2 and V3. A comprehensive governance discussion detailing the events and the measures implemented can be accessed here.

A governance proposal has been initiated to address and rectify the identified vulnerability. If approved, this proposal will facilitate the unpause of the affected pools.

In preparation for the unpausing of the pools, @bgdlabs has developed the Liquidations Grace Sentinel mechanism for Aave V2, designed to be activated by the Aave Guardian. The primary objective of this mechanism is to safeguard users who were unable to refill or repay their positions during the pause, protecting them from liquidation upon the resumption of normal protocol operations.

Aave v2/v3 security incident 04/11/2023

Whenever an asset is paused, no action can be done on it by design of the Aave protocol, including liquidations. Once the asset gets unpaused, all actions will be available again, which means that positions that couldn't be refilled or repaid before, would be under immediate liquidation conditions. The Liquidations Grace Sentinel is a type of emergency oracle (Aave Guardian controlled) that allows to activate a "liquidations grace period" for any asset listed in a pool.

Whenever this grace period is on, even with the asset unpaused, liquidations involving it will not be allowed

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Specification

This proposal suggests authorizing the DAO risk providers (Chaos Labs, Gauntlet) to recommend the grace period and approve the use

of the Liquidations Grace Sentinel by the Aave Guardian. V2 is planned to be unpaused on November 13th, 2023.

The recommendations and unpause plan will be communicated via the Aave governance forum and executed accordingly via the Aave Guardian.

For reference, market risk analysis has been provided by Gauntlethere for the community's consideration.

Next Steps

1. Due to the time sensitivity of this proposal, we will follow the Direct-to-AIP framework, utilizing Snapshot as the voting platform.

2. A Snapshot will be posted immediately, with voting starting in 24 hours.

3. If the Snapshot passes, the proposal will be considered canon, and the guidelines will be adopted.

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