Title: [ARFC] Polygon v2 Borrow Rate Adjustments

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Summary

This publication proposes gradually revising the Borrow Rate on Polygon v2 to provide further encouragement for users to migrate to Aave v3.

Motivation

Over the last 8 months the Reserve Factor (RF) on Polygon v2 has gradually increased from as low as 21.00% to 99.99%. As a result, deposit yield converged to zero and the capital efficiency of Aave v2 has been reduced on Polygon.

With the RF now approaching the maximum across all reserves, this publication seek to gradually increase the cost of capital via periodic borrow rate adjustments, every two weeks in a predictable fashion.

Based upon recent borrow rates behaviour, the market has demonstrated the ability to withstand periods of elevated borrowing rates.

Non Frozen Assets

For non-frozen assets, this proposal recommends increasing the Slope1 parameter by 75bps every two weeks, or 1.5% per month, to encourage further migration of users from v2 to v3. The outcome of this vote has been taken into consideration when drafting the current IR parameters included in this proposal.

The Slope2 parameter is to be revised to 750.00% to discourage utilisation exceeding the Uoptimal value. Note, several reserves are experiencing utilisation marginally exceeding Uoptimal.

As utilisation of each reserve decreases over time, the Uoptimal will be periodically lowered to discourage new debt positions emerging. Any proposed changes to the Uoptimal parameter will be presented via a separate ARFC.

Upon implementation, this change will not trigger liquidation of any users funds and will gradually increase the cost for users who remain on v2. Please note, there is a Migration Tool that was developed by BGD to aid users migrating from v2 to v3.

Assets in scope: DAI, MATIC, wBTC, wETH, USDC and USDT.

Frozen Assets

Each frozen reserve contains a small portion of funds with a very minimal amount of debt. For these assets we recommend a more aggressive implementation: reduce the Uoptimal to 10.00%, revise Slope1 to 50.00% and Slope2 to 1,000.00% - with the exception of BAL, which receives a Uoptimal of 20% due to current utilisation being around 15%.

Assets in scope: BAL, CRV, DPI, GHST, LINK and SUSHI.

Specification

The following parameters are to be updated as follows:

Asset

Current Slope1

Proposed Slope1

Current Uoptimal

Proposed Uoptimal

Current Slope2

Proposed Slope2

BAL

27.00%

50.00%

65.00%

20.00%

236.00%

1,000.00%

CRV

17.00%

50.00%

25.00%

10.00%

392.00%

1,000.00%

DAI

12.00%

12.75%

71.00%

71.00%

105.00%

750.00%

GHST

7.00%

50.00%

23.00%

10.00%

413.00%

1,000.00%

LINK

7.00%

50.00%

25.00%

10.00%

402.00%

1,000.00%

USDT

12.00%

12.75%

52.00%

52.00%

236.00%

750.00%

wBTC

4.00%

4.75%

37.00%

37.00%

536.00%

750.00%

wETH

4.00%

4.75%

40.00%

40.00%

167.00%

750.00%

wMATIC

6.00%

6.75%

48.00%

48.00%

440.00%

750.00%

wUSDC

12.00%

12.75%

77.00%

77.00%

134.00%

750.00%

Subject to approval from [@ChaosLabs](), a subsequent proposal will be submitted every two weeks.

Next Steps

1. Gather feedback from the community.

2. If consensus is reached on this ARFC, escalate this proposal to the Snapshot stage.

3. If Snapshot outcome is YAE, escalate this proposal to AIP stage

4. Review, and where applicable, submit an AIP every 2 weeks

Disclosure

TokenLogic and karpatkey receive no payment for this proposal. TokenLogic and karpatkey are both delegates within the Aave community.

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