

CRV Aave V2 Ethereum - LT Reduction Update - 09.13.2023

Simple Summary

Update on CRV V2 Ethereum Deprecation Plan: No change to the CRV Liquidation Threshold (LT) this week.

Motivation

Following the [CRV V2 Ethereum Deprecation Plan](#)

approved by the community and given the current market conditions and protocol usage, Chaos Labs and Gauntlet aligned on a 0% LT reduction this week.

Chaos Labs Analysis

Given the market volatility over the past few days, we do not recommend an LT update this week and support revisiting again next week.

Gauntlet Analysis

Gauntlet recommends no change to the LT for CRV on Ethereum v2 this week.

Since our last update on 9/4, 8.5M CRV has been withdrawn and 1M USDT repaid by the user. Given their previous 11.3M USDT borrow position this represents a 8.9% reduction in remaining debt.

This corresponds to a decline in the user's health factor to 1.73, despite the position reduction.

Daily CRV volatility is ~ 4.5%. Given that CRV liquidity has not materially improved, Gauntlet recommends having a sufficient buffer to the user's historical HF maintenance levels. Based on Gauntlet's deprecation schedule highlighted [here](#), applying a 3-std buffer to the user's historical health factor maintenance level of 1.6 would require a HF of 1.85, leaving insufficient room to reduce LT.

Given that we do not suggest an LT change this week, we recommend revisiting the LT reduction next week.

Next Steps

We will revisit CRV on Ethereum v2 and provide LT reduction recommendations next week.

Disclaimer

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