

title: [ARFC] wMATIC Risk Parameter Update Polygon v3

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Summary

This publication presents the community with the opportunity to revised wMATIC risk parameters on Aave Polygon v3 to encourage users to migrate from v2 to v3.

Abstract

There is \$28.61M and \$14.87M of wMATIC deposited into Aave v3 and v2 earning 2.87% and 0.73% respectively. This publication intends to support the migration of user funds from v2 to v3 by improving the capital efficiency of the v3 wMATIC Reserve.

By increasing the TVL and TL parameters, users benefit from improved the capital efficiency by being able to borrow more whilst using the same collateral position.

Motivation

To support the migration of funds from v2 to v3, this proposal seeks to encourage users to deposit wMATIC collateral on v3. This is to be achieved by increaseing the capital efficiency, by increasing the LTV and LT on v3 relative to v2. This is expected to encourage the migration of \$14.87M wMATIC deposited in v2 to v3.

In the past community members have shown a desire to increase the LTV ratio of wMATIC on v3[see here](#). As noted in the linked proposal, other communities offer higher LTV and LT paramters. Those equivalent parameters are shown below.

Ovix offers [75% LTV](#)

MAI Finance [83.33% LTV](#)

Using [Chaos Labs Risk Dashboard](#), it shows how the top wMATIC deposit positions on v3 are being used. Across the top 8 wallets, the vast majority are borrowing stable coins. Increasing the LTV and LT will benefit these users as there Health Factor will improve. This upgrade encourages users implementing this strategy on v2 to migrate to v3.

Although users receive a higher wMATIC deposit rates on v3, there is also higher USDC, DAI and USDT borrowing costs that partially offset the additional deposit yield. The net yield differential still favours v3 relative to v2. Implementing the changes proposed will provide further incentive for users to migrate.

The risk paramters presented within this proposal match those of wETH on Polygon.[@tokenlogic](#) welcomes input from Choas Labs and Gauntlet.

Specification

The below table shows the current and proposed changes to the wMATIC Reserve.

Risk Parameter

Current Value

Proposed Value

Loan To Value

65.00%

75.00%

Liquidation Threshold

70.00

80.00%

Liquidation Bonus

10.00%

5.00%

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Contributors of TokenLogic do hold small amounts of wMATIC for gas on the Polygon network, sub \$10,000 at time of writing.

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