

Simple Summary

A proposal to adjust four (4) total risk parameters across three (3) Aave V2 assets including LTV, Liquidation Threshold, and Liquidation Bonus.

Abstract

This proposal is a batch update of three risk parameters to align with the [Moderate risk level](#) chosen by the Aave community. These parameter updates are a continuation of Gauntlet's regular parameter recommendations, the latest being [AIP-42: Risk Parameter Updates 2021-10-14](#).

Motivation

This set of parameter updates seeks to maintain the overall risk tolerance of the protocol while making risk trade-offs between specific assets. For more detail on Gauntlet's first two months of recommendations and their impact, please see our [Monthly Risk Report](#).

Specification

No significant changes in volatility or liquidity were observed in most assets. However, we would note that the collateral usage of ZRX on Aave almost doubled, so that is an asset that we are monitoring during the upcoming period.

Parameter

Current Value

Recommended Value

ENJ Liquidation Threshold

65%

70%

DPI Loan To Value

55%

65%

DPI Liquidation Bonus

10.0%

8.5%

ZRX Loan To Value

65%

60%

See below volatility and exchange volume data from 10/14 to 10/21 that were important drivers for the updated parameter recommendations.

Symbol

10-21 Volatility

10-14 Volatility

Volatility Change

Weekly Average Daily Volume Change (%)

DPI

0.924661802

1.07082198

-0.146160178

96.2012726

ENJ

1.099162375

1.165823176

-0.518381803

40.9981913

ZRX

1.067526026

1.230865683

-0.163339657

-34.0377076

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 2021-10-25