Simple Summary

A proposal to reduce the Liquidation Threshold (LT) for CRV on Aave V3 Polygon.

Motivation

As the market liquidity of CRV has seen a substantial decline, this proposal seeks to address this by decreasing the liquidation threshold (LT) for CRV on Polygon V3. The objective is to mitigate the risk exposure associated with CRV and diminish its borrowing power, thereby aligning it more accurately with the existing market conditions and its parameters on other deployments.

As Liquidation Threshold reductions may lead to user accounts being eligible for liquidations upon their approval, we want to clarify the full implications to the community. Chaos Labs will publicly communicate the planned amendments and list of affected accounts leading to the on-chain execution.

Analysis

Chaos Labs recommends a 15% reduction. As of October 25, seven total accounts amounting to ~$141 are at risk of liquidation following the proposed changes.

Asset	Current LT	Rec LT	Value Liquidated ($)	Accounts Liquidated
CRV	65%	50%	141	8

List of affected accounts:

Account	Total Supply (USD)	Total CRV Supplied	Total Borrows (USD)	Health	Health After Change
0x9ce21324617b6b573e75d28580dcd5a88c41b4bb	106	29.16	86.47	1.01	0.99
0xa21fa160a63993d06daf2cb22f66b9a118a25ed4	97	200.43			

59.14

1.07

0.83

0xf36375ef8ef450476541f6326631cac44f9f0a49

58

40.18

41.22

1.07

0.99

0xe9784ffc614fe5cc57939cc7b21cdd2cf8f61c86

17

34.88

10.60

1.09

0.86

0x6c62b64c4e1a4702a41c47d5cdafc29fcba0ebad

12

25.77

6.63

1.23

0.95

0xdb79b400a31997ebc6816f002f2b622fe186056a

12

25.57

6.63

1.22

0.94

0x0906f3f07c7211bdce20d8a7cf9bdd7c3306532d

4

6.7

2.65

1.14

0.96

0x304481771f4922b60a759ac363da3a7da6372cc1

4

0.83

3.5

1.02

1.00

Specification

Asset

Parameter

Current Value

Recommendation

Change

CRV

LT

65%

50%

-15%

Next Steps

1. Following community feedback, submit the ARFC for a snapshot vote for final approval.

2. If consensus is reached, submit an Aave Improvement Proposal (AIP) to implement the proposed updates.

Disclaimer

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