

title: ARC - Update Risk Parameters Mainnet Arc Market

status: Proposed

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Simple Summary

This ARC proposes updating the mainnet Arc market Loan to Value (LTV) and Liquidation Threshold to be the same asset listed on mainnet V2 market, as determined by Gauntlet.

Abstract

The risk parameters on the mainnet Arc market are currently not being maintained and are more conservative than those belonging to the same asset on mainnet V2 market. This proposal recommends updating the mainnet Arc market LTV parameter to match the LiquidationThreshold of the same asset listed on mainnet V2 market.

We intend to re-propose a quarterly update of the risk parameters for the mainnet Arc market quarterly in an attempt to keep both markets in sync with mainnet V2 market, or mainnet V3 once live.

Motivation

This risk parameter change is targeting the following improvements on the Aave Arc Market:

- Align Risk Parameters - The risk parameters on Aave Arc market are currently more conservative and are in need of being updated to better reflect the mainnet V2 market and also the risk profile of the user.
- Improve UX - Increasing LTV ratios and reducing the Liquidity Penalty enables greater capital efficiency across the market.

Given the extra precaution shown when approving Borrowers on the Aave Arc Market, the recommendation is to amend the LTV to reflect the risk profiles of market participants. For now, the intent is to maintain the mainnet Arc market in line with the mainnet V2 market on a quarterly basis.

Specification

The below table shows the assets listed on the mainnet Arc market and their respective risk parameters on the mainnet Arc market.

Asset

Maximum LTV

Liquidation Threshold

Liquidation Penalty

Reserve Factor

Used as Collateral

Stable Borrowing

USDC

80%

85%

5.00%

10%

Yes

Yes

ETH

80%

82.5%

5.00%

10%

Yes

Yes

wBTC

70%

75%

10.00%

20%

Yes

Yes

AAVE

50%

65%

10.00%

0%

Yes

No

The below table shows the assets listed on the mainnet Arc market and their respective risk parameters on the Aave V2 market. This is for comparison purposes only.

Asset

Maximum LTV

Liquidation Threshold

Liquidation Penalty

Reserve Factor

Used as Collateral

Stable Borrowing

USDC

85.5%

86%

4.5%

10%

Yes

Yes

ETH
82.5%
85%
5%
10%
Yes
Yes
wBTC
70%
75%
6.5%
20%
Yes
Yes
AAVE
60%
70%
8%
0%
Yes
No
The below table shows the assets listed on the mainnet Arc market and the proposed risk parameters.
Asset
Maximum LTV
Liquidation Threshold
Liquidation Penalty
Reserve Factor
Used as Collateral
Stable Borrowing
USDC
85.5%
86%
4.5%
10%
Yes
Yes
ETH

82.5%

85%

5%

10%

Yes

Yes

wBTC

70%

75%

6.5%

20%

Yes

Yes

AAVE

60%

70%

8%

0%

Yes

No

Voting

FOR:

DO Update the risk parameters on mainnet Arc market as per mainnet V2 market

AGAINST:

DO NOT change the existing arrangement.

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