

Proposal:

To increase the Liquidation Threshold for AAVE from 65% to 75%.

Summary:

After a comparison between LINK (75%) and AAVE (65%) liquidation thresholds it became clear to me that AAVE needs to be adjusted upwards given its price action in the last 30 days, based on a price dynamic comparison to the former asset (expressed in ETH since the LT and HF calculations are based on ETH as well).

AAVE: from 0.144 to 0.960 - 33.3% reduction

LINK: from 0.0223 to 0.0142 - 36.3% reduction

Overall AAVE enjoys great liquidity across ETH,BTC and Stablecoin pairs and there is no solid reason as to why it should not benefit from the same liquidation threshold as LINK.

A higher liquidation threshold will improve the Health Factor for AAVE holders that deposited AAVE as collateral and contribute to the protocol TVL, while keeping the LTV ratio the same will limit the borrowing risk that they are allowed to undertake just as before.

Let's have the comments and polling going until the 11th of January 2021.

I am asking the AAVE Genesis Team or any team/individual possessing the technical capacity for an AIP implementation, to submit the AIP concerning this proposal on the week of the 11th, if judging by the comments and poll results the attitude towards the proposal is positive.

Increase AAVE Liquidation Threshold to 75%

- Yay
- Nay

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voters