Simple Summary

In response to recent market events and the resulting discussion on the Aave governance forum (link) regarding Aave community risk appetite, Llama and Chaos Labs propose to make a series of parameter changes to the Polygon Aave v2 Liquidity Pool.

Abstract

This proposal presents an alternative pathway forward to AIP-124. The community can elect to Disable Borrowing whilst retaining the ability to Deposit assets across some of the reserves rather than Freezing as outlined in AIP-124.

We specifically recommend freezing for GHST, BAL, and Sushi, while only pausing borrowing on other markets as a risk-off approach because the community can utilize the asset on the Polygon v3 deployment with enhanced risk tooling, such as supply and borrow caps.

This proposal is a collaborative effort between Llama and Chaos Labs and reflects the community's governance forum discussion.

Motivation

In response to recent market events and the continued contraction of liquidity across markets, this proposal seeks to reduce the risk profile across many of the higher volatile assets. AIP-124 presents an opportunity to Freeze many Reserves, whereas this proposal intends to Disable Borrowing where possible, whilst retaining the ability to deposit assets.

Specification

The following risk parameter proposal is presented below:

Asset

Status

Gauntlet AIP-124

Proposed Action

BAL

Borrowing Enabled,Collateral Enabled

Freeze

Freeze

CRV

Borrowing Enabled, Collateral Enabled

Freeze

Disable Borrow

Aavegotchi(GHST)

Collateral Enabled, Borrowing Disabled

Freeze

Freeze

LINK

Borrowing Enabled, Collateral Enabled

Freeze

Disable Borrow

SUSHI

Borrowing Enabled, Collateral Enabled

Freeze

Freeze

DPI

Borrowing Enabled, Collateral Enabled

Freeze

Disable Borrow

We will publish an AIP with these recommendations shortly.