Title: [ARFC] Harmonize USDT Risk Parameters on Aave V3 Markets

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Summary

USDT has various risk parameters across the various Aave v3 markets. This proposals aims to harmonize the risk parameters to better align the markets by removing USDT from isolation mode and normalizing risk parameters.

Motivation

USDT has seen strong borrow demand across networks with borrow utilization over 50% on Aave v3 Ethereum Mainnet and good utilization on secondary networks. However, the various markets currently have different risk parameters, leading to some inefficiency.

This proposal aims to bring the various USDT markets in line with a single set of LTV, liquidation threshold, and liquidation bonus parameters.

Specification

The proposal sets the LT/LTV of USDT on all deployments at 80/77, matching that of DAI and USDC on v3 Ethereum. Regarding the LB, it will stay the same at 5% on the L2s and 4.5% on Ethereum.

Asset

Network

Current Liquidation Threshold

New Liquidation Threshold

Current LTV

New LTV

USDT

Mainnet

76%

80%

75%

77%

USDT

Optimism

80%

80%

75%

77%

USDT

Polygon

80%

80%

75%

77%

USDT

Arbitrum

80%

80%

75%

77%

USDt

Avalanche

81%

80%

75%

77%

m.USDT

Metis

80%

80%

75%

77%

Supply and borrow caps will be set on a per-market basis based on review by the risk managers.

On Avalanche this means taking LT down by 1%, which results in [one account](), with less the $60, eligible for liquidation.

Next Steps

1. Community feedback and gather consensus

2. Proceed to ARFC snapshot stage.

3. If successful, escalate to AIP stage.

Disclaimer

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