

aip: TBA

title: Polygon Market - wMATIC Risk Parameter Changes

status: Proposal

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Simple Summary

We propose adjusting two (2) MATIC risk parameters on the Aave Polygon Market: LTV and Liquidation Threshold.

Abstract

This proposal updates two MATIC risk parameters on the Aave Polygon Market to align with the [Moderate risk level](#) chosen by the Aave community. Index Coop has compiled the following analysis for Gauntlet and the broader Aave community to review.

Motivation

Updating the MATIC parameters seeks to maintain the overall risk tolerance of the protocol while making risk trade-offs between specific assets.

Specification

The criteria for assessing market risk, as determined by the market size and changes in fluctuation in demand, is presented by the Aave community [here](#). In line with the criteria, analysis of the MATIC token on Polygon network is presented below:

wMATIC Polygon Market Risk (Polygon Network Data)

Holders:

168,102

B+ to A-

B+

Transactions

100,240,631

A

Mkt Cap

586,568,252

B+ to A-

Av. Vol.

\$50,675,854

C+ to B-

Norm. Vol

0.06579

C+ to B-

The MATIC token risk score compiled by Index Coop is B+. This matches the risk score cited [here](#). However, the volatility score of B- (C+ to B-) is justified by the 0.06579 score compared to 0.064 in the table presented in the [documentation](#). Further to this, assets like BAL and BAT on Ethereum have similar vol characteristics to wMATIC on Polygon. The Norm.

Vol parameter is the average of the t=30 days and t=90 days as shown in the below table.

wMATIC Volatility Data (Polygon Network Data)

Time

S.D Vol

t=7 days

0.08475

t=30 days

0.06535

t= 90 days

0.06622

t= 180 days

0.09013

t= 365 days

NA

Based upon the volatility data share above, Index Coop suggests changing the Liquidation Threshold and Loan to Value parameters as shown below:

Parameter

Current Value

Recommended Value

wMATIC Liquidation Threshold

65%

70%

wMATIC Loan to Value

50%

65%

Implementation

We are actively seeking feedback on how to implement this proposal. At this point in time an AIP vote could signal community intent/desire to change the requirements with the changes to be made by the guardians of the Aave Polygon Market or via the AIP if a permissionless process is in place by that point in time.

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