Simple Summary

Gauntlet does not recommend risk parameter changes to V3 Polygon at this time.

For proactivity - an opportunity to increase liquidation thresholds for ETH and for MATIC-like assets may arise soon, but our simulations recommend observing a reduction in volatility for these assets before proceeding to this recommendation.

The following supply caps on Polygon V3 have utilization greater than 80%. Gauntlet is continuing to monitor these liquidity pools and will make cap recommendations as needed. We have provided additional analysis on MaticX [here](#) and stMATIC [here](#). We have provided recs on WETH and AAVE[here](#). For CRV - we do not recommend increasing the cap unless the community has an Aggressive risk preference for CRV.

Asset	Supply Cap Utilization	Suppy Cap
WETH	0.82	26,900
CRV	1	937,700
AAVE	0.94	36,820
MaticX	1	6,000,000
stMATIC	0.99	7,500,000

Therefore, we will not move forward with a proposal to change any parameters at this time, but we are providing a user position analysis below.

Abstract

Our simulation engine has ingested the latest market data (outlined below) to recalibrate parameters for the Aave protocol. The community has aligned on a [Risk Off Framework](#) regarding lowering liquidation thresholds.

Motivation

Gauntlet's parameter recommendations are driven by an optimization function that balances 3 core metrics: insolvencies, liquidations, and borrow usage. Parameter recommendations seek to optimize for this objective function. Our agent-based simulations use a wide array of varied input data that changes on a daily basis (including but not limited to asset volatility, asset correlation, asset collateral usage, DEX / CEX liquidity, trading volume, expected market impact of trades, and liquidator behavior). Gauntlet's simulations tease out complex relationships between these inputs that cannot be simply expressed as heuristics. As such, the input metrics we show below can help understand why some of the param recs have been made but should not be taken as the only reason for recommendation. The individual collateral pages on the [Gauntlet Risk Dashboard](#) cover other key statistics and outputs from our simulations that can help with understanding interesting inputs and results related to our simulations.

For more details, please see [Gauntlet's Parameter Recommendation Methodology](#) and [Gauntlet's Model Methodology](#).

Supporting Data on Aave V3 Polygon

Top 30 borrowers' aggregate positions & borrow usages

Top 30 borrowers' entire supply

Top 30 borrowers' entire borrows

Risk Dashboard

The community should use Gauntlet's [Aave V3 Polygon Risk Dashboard](#) to understand better the updated parameter suggestions and general market risk in Aave V3 Polygon.

Value at Risk represents the 95th percentile insolvency value

that occurs from simulations we run over a range of volatilities to approximate a tail event.

Liquidations at Risk represents the 95th percentile liquidation volume

that occurs from simulations we run over a range of volatilities to approximate a tail event.

Polygon Aave V3 Dashboard

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