

This report builds upon Gauntlet's [Market Downturn Risk Review](#), with the goal of keeping the community informed of market risks pertaining to Aave. To date, Gauntlet has executed seven (7) sets of parameter recommendations as part of our [Dynamic Risk Parameters](#) engagement. Over the past 2 months, Gauntlet has executed 2 sets of recommendations and has implemented fifteen (15) parameter suggestions across seven (7) assets.

Parameter

Prior Value

Current Value

CRV Loan To Value

45%

55%

CRV Liquidation Threshold

60%

65%

FEI Loan To Value\*\*

0%

60%

FEI Liquidation Threshold\*\*

0%

70%

FEI Liquidation Bonus\*\*

0%

6.5%

LINK Liquidation Bonus

7.5%

6.5%

MKR Liquidation Bonus

8.0%

7.5%

SNX Loan To Value

40%

45%

SNX Liquidation Threshold

60%

65%

xSUSHI Loan To Value

45%

50%

xSUSHI Liquidation Threshold

60%

65%

UNI Liquidation Bonus

8.0%

7.5%

\*\*Represents parameters where Gauntlet has changed parameters two times.

Gauntlet's parameter updates align with the [Moderate risk level](#) that the Community has collectively voted for.

In addition to managing market risk for Aave, Gauntlet has also invested in creating educational resources to help the Aave community, and the broader DeFi community, better understand market risk. Gauntlet has recently published the following educational documentation and advises that the community review these resources:

- [Gauntlet Announces Collaboration with Moody's on Risk Management in DeFi](#)
- [Gauntlet Parameter Recommendation Methodology](#)
- [Gauntlet Model Methodology](#)
- [Deep Dive on Value at Risk](#)

Gauntlet has launched the Aave [Risk Dashboard](#) and has invested in improvements to their infrastructure to enable daily updates. The community should use the dashboard linked above to better understand the updated parameter suggestions and general market risk in Aave. Gauntlet is keen on continuously bettering their dashboards and has been conducting user studies with members of this community and others to inform future iterations.

## Highlights

Supply changes of key collateral assets from 01/25/2022 to 02/28/2022

Borrow changes of key collateral assets from 01/25/2022 to 02/28/2022

Price changes of key collateral assets from 01/25/2022 to 02/28/2022

Liquidations breakdown by collateral from 01/25/2022 to 02/28/2022

Liquidations breakdown by account from 01/25/2022 to 02/28/2022

Top 10 liquidations breakdown by account from 01/25/2022 to 02/28/2022

New insolvent accounts from 01/25/2022 to 02/28/2022

Note that the only insolvencies are from negligible dust accounts, the largest of which has \$1,900 supplied and the largest insolvent amount of \$170.

90-day time series of collateral-specific volatility

Using the 28 day trailing data and the Garman Klass volatility estimator, which utilizes both daily high  $H_i$  and low  $L_i$  prices, as well as daily opening  $O_i$  and closing  $C_i$  prices, the annualized volatility for each asset can be calculated as follows:

[

Screen Shot 2022-03-10 at 7.52.56 PM

694×133 5.83 KB

](<https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/7/7d969e6f8585826be8dd75542ef891fcd3095652.png>)

If you are unfamiliar with the concept of volatility, please reference [this writeup from Gauntlet](#).

60-day time series of collateral-specific protocol collateralization ratios

The average collateralization ratio for an asset is a valuable indicator of how risky suppliers are behaving. For AAVE tokens, the recent price drop has led to the decrease of average collateralization.

90-day time series of liquidation volume