

title: [ARFC] Emode Risk Parameters Aave ETH V3 Pool Update

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Abstract

This ARFC proposes an update to the risk parameters for ETH-correlated assets (Category 1) in the Aave ETH V3 pool.

Motivation

The motivation behind this ARFC is to adjust the risk parameters for ETH-correlated assets (Category 1) in the Aave ETH V3 pool, specifically wETH, stETH, rETH, and cbETH. The proposed changes aim to enhance the efficiency and flexibility of these assets within the pool.

By adjusting the Loan to Value (LTV) and Liquidation Threshold (LT), we aim to provide more borrowing power to the users, thereby enabling more leverage on wETH/Liquid Staking Tokens (LST) such as stETH, cbETH, or rETH leverage loops. This increased leverage power will allow these strategies to be more profitable, thereby increasing borrowing volume on Aave and consequently, the protocol revenue.

These changes are proposed with the intention of fostering a more robust, dynamic, and profitable liquidity environment in the Aave ETH V3 pool.

As the Aave ETH V3 is the most liquid both on the Aave side & on LST primary & secondary markets side, it seems the fittest pool to experiment with less conservative emode parameters, providing valuable data for potential expansion on other Aave V3 pools.

Specification

The following table outlines the proposed changes to the risk parameters for ETH-correlated assets (Category 1) in the Aave ETH V3 pool:

Parameter

Current Value

Proposed Value

LTV

90%

93%

LT

93%

95%

LB

1%

1%

Next Steps

1. gather feedback from the community and risk service providers.
2. If consensus is reached on this ARFC, the proposal will be escalated to the Aave Improvement Proposal (AIP) stage for final approval.

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