

Simple Summary

A proposal to reduce Liquidation Threshold (LT) and Loan-To-Value (LTV), for CRV on Aave V2 Ethereum.

Motivation

Following our recommendations to decrease Aave's exposure to CRV on V2 Ethereum [here](#), we propose a series of LT and LTV reductions.

As Liquidation Threshold reductions may lead to user accounts being eligible for liquidations upon their approval, we want to clarify the full implications to the community at each step. To best minimize this impact, we suggest reaching the desired settings by a series of incremental decreases

, following the [Risk-Off Framework](#) previously approved by the community, with a reduction of up to 3% in any given AIP. In an attempt to avoid liquidations, Chaos Labs will publicly communicate the planned amendments and list of affected accounts leading to the on-chain execution.

In the graph below, we share data to quantify and visualize the effect of the recommended reductions on protocol users. For the proposed, 3% LT decrease, the impact on users at the time of this post is negligible (2 accounts liquidated, ~3\$ liquidated).

Liquidation Treshold

Accounts Liquidated

Liquidation Value

55

2

~\$3

Specification

Asset

Parameter

Current Value

Recommendation

Change

CRV

LT

58

55

-3%

CRV

LTV

52

49

-3%

Next Steps

1. Following community feedback, submit the ARFC for a snapshot vote for final approval.
2. If consensus is reached, submit an Aave Improvement Proposal (AIP) to implement the proposed updates.

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