

Simple Summary

A proposal to adjust five (5) total risk parameters, including Loan-to-Value, Liquidation Threshold and Liquidation Bonus across three (3) Aave V3 Avalanche assets.

Motivation

Chaos Labs' Parameter Recommendation Platform runs hundreds of thousands of agent-based off-chain and on-chain simulations to examine how different Aave V3 risk parameters configurations would behave under adverse market conditions - and find the optimal values to maximize protocol borrow usage while minimizing losses from liquidations and bad debt.

Please find more information on the parameter recommendation methodology [here](#).

You can also view the simulation results and breakdown for the different assets by clicking on them on this [page](#).

The output of our simulations reveals an opportunity to optimize parameters for WAVAX, sAVAX and LINK.e on V3 Avalanche, resulting in improved capital efficiency of the system, with a negligible effect on the projected VaR (95th percentile of the protocol losses that will be accrued due to bad debt from under-collateralized accounts over 24 hours) and EVaR (Extreme VaR, the 99th percentile of the protocol losses that will be accrued due to bad debt from under-collateralized accounts over 24 hours)

Simulating all changes jointly yields a projected borrow increase of ~\$26K, with a negligible increase in VaR and Extreme VaR compared to simulations with the current parameters.

Liquidity Analysis:

Based on our analysis, we have determined that there is adequate on-chain liquidity to support any significant liquidations with the updated parameters.

Positions Analysis

We have not identified any outsized positions that are actively affecting our recommendations.

Top Borrowers

[

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Top Suppliers

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Recommendations

Asset

Parameter

Current

Recommended

Change

WAVAX

Liquidation Bonus

10%

9%

-1%

sAVAX

Liquidation Threshold

30%

40%

+10%

sAVAX

Loan-to-Value

20%

30%

+10%

LINK.e

Liquidation Threshold

68%

71%

+3%

LINK.e

Loan-to-Value

53%

56%

+3%