Simple Summary

A proposal to reduce Liquidation Threshold (LT) on Aave V2 Ethereum.

Motivation

In accordance with the v2 deprecation framework, Chaos Labs and Gauntlet advise implementing the subsequent parameter changes to the frozen assets on Aave v2 Ethereum

LT Reductions

The recommendations below suggest an LT configuration that optimizes reductions without significantly increasing the number of accounts eligible for liquidation. The proposed values are set at a margin of at least ~4% from the closest LT figure, which would trigger more substantial liquidations.

This will affect 20 accounts, leading to a cumulative liquidation of $1,101 in collateral value.

Asset	Current LT	Rec LT	Value Liquidated ($)	Accounts Liquidated
1INCH	24%	1%	163	1
BAL	25%	21%	43	2
BAT	1%	1%	0	0
CRV	42%	38%	10	1
CVX	33%			

30%

0

0

DPI

16%

14%

36

1

ENJ

50%

50%

0

0

ENS

50%

47%

2

1

MANA

48%

37%

28

1

MKR

35%

30%

149

1

REN

27%

25%

57

1

SNX

43%

41%

28

1

UNI

70%

64%

0

0

xSUSHI

28%

1%

270

9

YFI

45%

43%

0

0

ZRX

37%

34%

315

1

LINK

82%

81%

0

0

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. Chaos Labs will publicly communicate the planned amendments and list of affected accounts leading to the on-chain execution.

Specification

Frozen Assets:

Asset

Current LT

Rec LT

1INCH

24%

1%

BAL

25%

21%

BAT

1%

1%

CRV

42%

38%

CVX

33%

30%

DPI

16%

14%

ENJ

50%

50%

ENS

50%

47%

MANA

48%

37%

MKR

35%

30%

REN

27%

25%

SNX

43%

41%

UNI

70%

64%

xSUSHI

28%

1%

YFI

45%

43%

ZRX

37%

34%

LINK

82%

81%

Next Steps

We will move forward with the direct-to-AIP framework and publish an Aave Improvement Proposal (AIP) to implement the proposed updates.

Disclaimer

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