# Simple Summary

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

# Motivation

Following the [CRV V2 Ethereum Deprecation Plan](#)

approved by the community and given the current market conditions and protocol usage, Chaos Labs and Gauntlet aligned on a 2% LT reduction.

Chaos originally proposed a 3% reduction, while Gauntlet proposed a 2% reduction. The individual analyses and considerations can be found below.

As of today, this LT reduction will not make any account eligible for liquidation.

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.

## Chaos Labs Analysis

Chaos Labs recommends a 3% reduction, with the following impact on top CRV suppliers (used as collateral):

Account

Total Supply (USD)

Total CRV Supplied

Total Borrows (USD)

Health

Health After Change

0x7a16ff8270133f063aab6c9977183d9e72835428

40.86M

92.88M

10.36M

1.85

1.78

0xc420c9d507d0e038bd76383aaadcad576ed0073c

2M

4.54M

440K

2.13

2.00

0xb5587a54ff7022ac218438720bdcd840a32f0481

1.65M

1.52M

936K

1.24

1.21

0x279a7dbfae376427ffac52fcb0883147d42165ff

735K

1.35M

324K

1.25

1.18

0xaecdde1672f3f121b3a6c43a2e0b5dfc28f6224c

449K

1.02M

176K

1.20

1.12

## Gauntlet Analysis

Guantlet recommends reducing CRV LT from 47% to 45% this week.

There have been no material changes to the user's position over the past week. Given CRV price increase to 0.443, this increases HF to 1.88.

Daily CRV volatility is ~ 4.5%, and CRV liquidity has slightly improved since last week. Based on Gauntlet's deprecation schedule highlighted here, we recommend having sufficient buffer to the user's historical maintained HF of 1.6. Reducing LT to 45% maintains this buffer.

The change reduces the user's HF to 1.8. Below are accounts whose HF will be < 1.1 with the change. No accounts will be liquidated.

user_address

supply_balance_usd

borrow_balance_usd

hf

hf_new

supplied_symbols

borrowed_symbols

orig_lt

new_lt

0x7421c1ed16b400e4868ce696452c3c985f8cd04d

24017.0

10220.61

1.10

1.06

[CRV]

[USDT]

0.47

0.45

0xe95d1bf610fdb4e5d573b4d4a7fec04cfa82b863

189.0

79.40

1.12

1.07

[CRV]

[WETH]

0.47

0.45

## Specification

Asset

Parameter

Current Value

Recommendation

Change

CRV

LT

47

45

-2%

## Next Steps

As the community approved a direct-to-AIP framework for the CRV deprecation plan, we plan to submit an Aave Improvement Proposal (AIP) to implement the proposed updates.

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