As AIP-97 has passed, pausing ETH borrowing into the Merge, it is now time to consider the opposite action: re-enabling ETH borrowing post-Merge. One of the main goals of pausing ETH borrowing was to mitigate the insolvency risk caused by liquidation failures due to high ETH utilization. To safely re-enable ETH borrowing, we recommend taking the following minimal set

of precautions before executing the re-enablement of the ETH market. These features should be considered necessary but not sufficient conditions for the re-enablement of ETH borrowing.

- ETH utilization returns to a healthy state (e.g. < 90%)
- Prices tendered by ETH oracles from Chainlink have returned to their prior distribution
- This involves performing statistical tests on the distribution of prices before and after the Merge. While we expect there to be some disruption to oracle prices within some time window around the precise Merge block at the target difficulty, this should subside relatively quickly. Given ETH2's short epoch finalization time window of 12.8 minutes (see this blog post from client developer Prysmatic Labs for more information)
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- No other unexpected events occur during the Merge
- e.g., Liquidity on on-chain and off-chain exchanges return to a stable, locally stationary state within < 1 day of the Merge
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However, we also want to propose a set of further monitoring conditions that are important to qualify the security of restarting ETH borrow:

- Monitoring new insolvencies caused by failed liquidations
- The main reason for this is to understand whether the observed failures (if there are any) are due to, e.g., liquidity conditions or oracle issues around the Merge
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- Monitoring ETH pool utilization and ETH withdrawals to understand supplier elasticity
- Given the rare nature of the Merge event, the data used to model supplier elasticity in the protocol will be hugely important for modeling edge case lender behavior
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- Comparing Aave's ETH borrowing APY with the other money markets
- This is mainly to test if the relative differences between the utilization distributions between Aave and other markets relax to their pre-Merge levels or if we observe a new equilibrium. This can be quantified, for instance, by measuring if the Kullbeck-Liebler divergence between various money markets' utilization distributions pre- and post-Merge has changed dramatically
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- Monitoring Aave stETH insolvencies, stETH / ETH recursive positions, and Curve stETH pool liquidity
- Given that the stETH/ETH market has the most reflexivity (and hence, recursive lending risk) with regard to the Merge, monitoring the state of this system will be crucial for understanding the conditional VaR of ETH borrowing post-Merge
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These are not blocking the re-enabling of ETH borrowing, but we will utilize this data generated from the Merge as a learning opportunity to further refine Gauntlet's risk modeling and risk management platform. Post-Merge, we will provide analytics and comparisons of risk parameters and borrower behavior before, during, and after the Merge, which can be used to

complete a post-mortem on AIP-97's performance. We will provide monitoring for these statistics on our new auxiliary Aave lending dashboard.

Next Steps:

- Monitor the features as outlined above.
- Welcome thoughts and discussion from the community.
- Initiate a Snapshot vote, timing dependent on the state of the above features.

By approving this proposal, you agree that any services provided by Gauntlet shall be governed by the terms of service available at gauntlet.network/tos.