

Here is a summary of the community's efforts to reduce the Curve (CRV) risk since August 2022. This overview aims to provide clarity and transparency regarding the discussions and actions taken within the community relating to CRV.

[

Supply and Borrow on Aave V2 Time Series

5948×3500 534 KB

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Levers Proposed and Implemented

Please note the difference between “CRV borrowing”, and “borrowing against CRV.” The former is when CRV is borrowed from Aave. The latter is when CRV collateral is used to borrow another asset (e.g., USDT).

Lever

What it does

What it doesn't do

Freeze CRV on v2

- Prevents new CRV borrow and supply
- Prevents new borrow against CRV collateral. User must reduce HF
- Prevent additional borrow against CRV collateral (up to CRV LT)

Set CRV LTV → 0 on v2

- Provides a soft measure to impede new borrow against CRV collateral
- Prevent additional borrow against CRV collateral via flashloaning other collateral types
- Prevent additional supply of CRV collateral

Disabling CRV borrowing

- Prevents new CRV borrow
- Prevent additional supply of CRV collateral
- Prevent additional borrow against CRV collateral

Lower CRV LT on v2 (or v3)

- Prevent new borrow against CRV collateral beyond LT on v2 (or v3)
- Prevent additional supply of CRV collateral
- Prevent additional borrow against CRV collateral (up to CRV LT)

Increase CRV Reserve Factor (RF)

- Allows a higher portion of CRV generated interest is collected by Aave treasury
- Prevent additional borrow against CRV collateral
- Prevent additional supply of CRV collateral

Increase CRV Liquidation Bonus (LB)

- Provides more incentive for liquidations
- Prevent additional borrow against CRV collateral
- Raises insolvency price point

Lower CRV Debt Ceiling on v3

- Prevents total borrow against CRV collateral beyond debt ceiling on v3

- Prevents additional supply/borrow of CRV on v3

Increase CRV Supply Cap on v3

- Incentivize partial movement of position from v2 to v3
- Prevent additional supply/borrow of CRV on v2

Timeline

We pulled the below timeline from forum posts and AIP, but please let us know if there's anything additional that should be added.

2022-08-04 — Gauntlet posted an [ARC](#) and proposed [AIP-92](#) to lower the CRV LT on Aave V2.

2022-08-18 — Gauntlet posted an [ARC](#) and proposed [AIP-94](#) to lower the CRV LT on Aave V2.

2022-11-11 — Gauntlet [provided updates](#) on the CRV position during a market downturn (CRV price decreased 42%).

2022-11-22 — CRV insolvency event [1].

2022-11-22 — Gauntlet posted an [ARC](#) to freeze CRV on Aave V2.

2022-11-23 — Llama and Gauntlet posted an [ARC](#) to recapitalize the CRV market.

2022-11-27 — Gauntlet [AIP-121](#) to freeze CRV on V2 Ethereum was executed (CRV supply and CRV borrow disabled).

2022-11-28 — Gauntlet [AIP-124](#) to freeze CRV on V2 Polygon was executed.

2022-11-30 — Chaos and Llama [AIP-125](#) overturned [AIP-121](#). As a result, CRV was unfrozen (CRV collateral deposits still enabled), but CRV borrowing was still disabled on V2 Ethereum.

2022-11-30 — Chaos and Llama [AIP-126](#) overturned [AIP-124](#). As a result, CRV was unfrozen (CRV collateral deposits still enabled), but CRV borrowing was still disabled on V2 Ethereum.

2022-12-25 — Chaos [AIP-138](#) to add borrow cap to CRV on V3 Polygon was executed.

2022-12-25 — Chaos [AIP-136](#) to lower LT and LTV of CRV by 3% on V2 was executed.

2023-01-26 — Gauntlet [called out](#) the insolvency risk posed by this user position supplying CRV, showed user supply breakdown, collateral factors, borrowing power, borrows, borrow usage breakdown, borrow and supply time series, and borrow usage since 2022-09-01.

2023-03-13 — Llama [AIP-175](#), with Gauntlet input, updates the CRV interest rate parameters on V2 Ethereum, V2 Polygon Liquidity Pools, and V3 Polygon was executed.

2023-05-21 — Gauntlet [AIP-227](#) to increase CRV reserve factor on V3 Ethereum and Polygon was executed.

2023-06-12 — Gauntlet posted [recommendations](#) to freeze CRV and set CRV LTV→0 on Aave V2 and received mixed community feedback. Chaos explores alternative measures (LT decreases, increase v2 RF, lower v3 debt ceiling) and advocates against freezing.

2023-06-14 — Gauntlet published [AIP-246](#) to freeze CRV and set CRV LTV→0.

2023-06-15 — Chaos [proposed](#) to reduce LT and LTV for CRV on Aave V2. Gauntlet recommends LTV 0. Chaos proceeds with 3% reduction for both LT and LTV in AIP-255.

2023-06-18 — Gauntlet [AIP-246](#) to freeze CRV and set CRV LTV→0 failed.

2023-06-20 — Gauntlet posts retro with [rationale](#) for freezing CRV on Aave v2.

2023-06-21 — In response to Chaos' [proposal](#) to decrease CRV LT, Gauntlet continued to [recommend](#) setting LTV→0 and freezing CRV.

2023-06-22 — Chaos [AIP-252](#) to freeze 6 V2 markets (excluding CRV due to large market size) to assist with migration was executed.

2023-06-25 — TokenLogic [AIP-250](#) to adjust CRV Uoptimal, RF, Slope 2 was executed.

2023-06-27 — Gauntlet posted [ARFC](#) for risk parameter updates, including setting CRV LTV → 0.

2023-07-03 — Gauntlet put up [snapshot](#) for risk parameter updates including setting CRV LTV→0.

2023-07-03 — Chaos [AIP-255](#) to reduce CRV LT and LTV by 3% on V2 was executed.

2023-07-09 — Chaos [AIP-264](#) to reduce CRV LT/LTV by 5% on V3 Polygon was executed.

2023-07-06 — Gauntlet posted an [ARFC](#) to lower borrow cap of CRV.

2023-07-07 — [Snapshot](#) for setting CRV LTV→0 failed to pass.

2023-07-10 — Chaos proposal and [AIP-266](#) to increase CRV reserve factor by 5% was executed.

2023-07-21 — Chaos and Gauntlet increased supply cap of CRV on Polygon V3 via [Risk Steward](#).

2023-07-29 — Chaos CRV LT reduction [AIP-280](#) was cancelled.

2023-08-01 — Chaos advocates LT reductions, disable v3 borrowing, neutral on LTV0, against v2 freeze. Gauntlet reposted [recommendations](#) to set CRV LTV→0 and freeze CRV. Gauntlet published [AIP-286](#) to set CRV LTV → 0. Numerous delegates, service providers, and risk advisors ([@yaron](#), [@BlockAnalitica](#)) join the discussion over the next 48 hours.

2023-08-03 — ACI [ARFC](#) to strategically acquire CRV using USDT from the Aave DAO treasury.

2023-08-03 — Gauntlet posted a [proposal](#) and [AIP-288](#) to lower CRV LT, LTV, and debt ceiling on V3 Ethereum and CRV LT and LTV on Polygon.

2023-08-04 — Chaos posts [analysis](#) on freeze and LTV0, comparison to other protocols, spot market data, and suggestion to collaborate with the borrower. Gauntlet posted [additional analysis and data](#) on expected insolvencies, TVL changes, liquidity comparisons to Nov 2022, and RF adjustments.

2023-08-06 — [AIP-286](#) to set CRV LTV→0 was executed with over 900k votes.

2023-08-07 — [AIP-288](#) to lower CRV LT/LTV/debt ceiling on V3 Ethereum and Polygon has reached quorum, scheduled to pass.

2023-08-08 — Chaos and Gauntlet proposed different options ([Chaos](#), [Gauntlet](#)) for CRV Deprecation Schedule.

2023-08-09 — [AIP-288](#) to lower CRV LT/LTV/debt ceiling on V3 Ethereum and Polygon was executed.

2023-08-12 — ACI [AIP-289](#) to use 2M aUSDT of the Aave DAO treasury to acquire 5M aCRV tokens was executed.

2023-08-14 — Chaos [AIP-293](#) to disable CRV borrowing for Ethereum and Polygon V3 was executed.

2023-08-14 — Gauntlet and Chaos [aligned](#) on bi-weekly CRV LT reductions (based on independent analyses and consolidated recommendations from both parties) going forward.

2023-08-14 — Chaos [AIP-292](#) to reduce CRV LT was executed.

2023-08-19 — Gauntlet [AIP-297](#) to freeze CRV on Aave V2 Ethereum was executed.

2023-08-28 — Chaos and Gauntlet [AIP-305](#) to reduce CRV LT was executed.

2023-09-05 — Gauntlet and Chaos [recommended no change to CRV LT](#).

2023-09-13 — Gauntlet and Chaos [recommended no change to CRV LT](#).

This post will be updated to provide transparency for all CRV risk-related measures taken by the community.

Appendix

[1] 2022-11-22 — CRV insolvency event

- 2022-11-13 — [0x57e0](#) deposits \$38.9M USDC into the Aave v2 market
- 2022-11-13 to 2022-11-21 — The user would borrow ~17M CRV in different increments and offload them across 1inch and other CEXs. A CRV supplier ([0x7a16](#)) had 174M CRV (\$110M) supply balance within the CRV liquidity pool, representing 27% of circulating [supply](#). The CRV market price decreased from \$0.61 to as low as \$0.41 (33% decrease)
- 2022-11-22
- 08:12 UTC, [0x57e0](#) made 4 additional deposits totaling ~\$24M USDC, borrowed 55M CRV valued at \$36M, transferred 30M CRV to CEXs, and swapped further CRV on 1inch.
- 10:35, the CRV market price dropped to its lowest value of \$0.4096.

- 11:00, the CRV market price started to rebound with added momentum from Curve's release of their [LLAMMA whitepaper](#).
- 13:31, the first liquidation to the user took place. The user's USDC collateral position was fully liquidated within the day, with approximately \$63M USDC [liquidated](#) and \$1.7M of bad debt left on the protocol.
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Account Health Factor

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Collateralization Ratio

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