Liquidation Event

Liquidation events are triggered by surpassing thresholds established by collateral factors (which determine initial borrowing capacity). Once an account's borrow balance surpasses these predetermined limits, it becomes eligible for liquidation. A liquidator (such as a bot, contract, or individual) can initiate the absorb function, which transfers ownership of the account's collateral while returning the collateral's value, minus a liquidation penalty, to the user in the base asset. As a result, the liquidated user's debt is eliminated, and they typically maintain an excess balance of the base asset, which generates interest. Close Factor 50% Liquidiation Incentive 8% Protocol - Previous Collateral and Reserve Factor Next - Protocol Interest Rate Model Last modified1mo ago