Simple Summary

A proposal to adjust thirteen (13) total risk parameters across nine (9) Aave V2 assets including LTV, Liquidation Threshold, and Liquidation Bonus.

Abstract

This proposal is a batch update of three risk parameters based on previously selected community risk level preferences. First, a continuation of the two previous liquidation bonus updates, AIP-34: Liquidation Bonus Updates and AIP-38: Liquidation Bonus Updates for Eleven Aave V2 Assets. Second, updated LTV and Liquidation Threshold parameters to realign with the Moderate risk level chosen by the community.

Motivation

This set of parameter updates seeks to maintain the overall risk tolerance of the protocol while making risk trade-offs between specific assets. While increased volatility affected most assets in the ecosystem, some tail assets experienced even higher volatility and larger collateral usage (supply that is significantly borrowed against). In addition, increased liquidity and decreased trading slippage for certain assets allow for lower liquidation bonuses.

Specification

Parameter

Current Value

Recommended Value

WETH Loan To Value

80%

82.5%

CRV Loan To Value

40%

35%

ENJ Loan To Value

50%

55%

ENJ Liquidation Threshold

60%

65%

MANA Loan To Value

60%

65%

MANA Liquidation Threshold

65%

70%

UNI Loan To Value

60%

50%

YFI Loan To Value

45%

50%

YFI Liquidation Threshold

60%

65%

YFI Liquidation Bonus

10%

8%

ZRX Loan To Value

60%

65%

XSUSHI Loan To Value

35%

30%

USDC Liquidation Bonus

5%

4%

See below volatility and collateral usage changes from 9/14 to 9/28 that were important drivers for the updated parameter recommendations.

Symbol

09-28 Volatility

09-14 Volatility

Volatility Change

Collateral Usage Change USD

WETH

1.012094901

0.979191725

0.032903176

-86338828

ZRX

1.474725052

1.355540968

0.119184084

-328484

UNI

1.592116599

1.324486507

0.267630092

4821417

ENJ

1.660170507

1.706717325

-0.046546818

-2369990

YFI

1.248934665

1.122133261

0.126801404

-1931790

CRV

2.050875845

1.601331664

0.449544181

-2047792

MANA

1.514235863

1.510912129

0.003323734

-1420138

SUSHI

1.829557712

1.499754067

0.329803645

4744051

Risk Dashboard

The community should use Gauntlet's Risk Dashboard to better understand the updated parameter suggestions and general market risk in Aave V2.

Next Steps

- Initiate a Snapshot immediately since the community has already weighed in on changes of this nature recently.
- Targeting an AIP on 2021-10-04