

# Simple Summary

A proposal to reduce the liquidation bonus for eleven (11) Aave V2 assets.

## Abstract

This proposal is an extension on the previous [ARC](#) for liquidation bonus updates and the corresponding [AIP-34: Liquidation Bonus Updates](#) that followed. Besides reserve factor changes, no risk parameter values have been updated since the launch of Aave V2. Gauntlet's simulations output initially targeted liquidation bonus values lower than we recommended. Over the past 10 days we have been able to monitor liquidator behavior and have reached higher confidence in further reductions.

## Motivation

The updated liquidation bonuses fared very well since AIP execution on 2021-09-04. The liquidation bonus changes impacted about \$7M USD worth of liquidations across 21 users. Despite small changes, a bit over \$100k USD was saved for those users (mostly in WBTC and SUSHI). Additionally, no additional insolvencies were recorded after the 18% one day drop in ETH price.

## Specification

Current Liquidation\_Bonus

Recommended Liquidation Bonus

WBTC (9%)

7.5%

REN (9%)

7.5%

BAT (9%)

7.5%

YFI (12.5%)

10%

MKR (10%)

8%

ZRX (8%)

7.5%

CRV (12.5%)

10%

XSUSHI (12.5%)

10%

AAVE (8%)

7.5%

MANA (8%)

7.5%

SNX (9%)

7.5%

Should there be interest, we can supply model inputs (Supply, ADV, Supply Ratio, Volatility) as done previously. Please

make that request in the thread below.

## **Next Steps**

- Initiate a Snapshot immediately since the community has already weighed in on changes of this nature recently.
- Targeting an AIP on 2021-09-20 unless changes to the voting delay are required ahead of time.