Title: [ARFC] Arbitrum USDC Migration

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Summary

See here for the initial temperature check.

Parameter change recommendations to facilitate the migration of bridged USDC.e to Native USDC on Aave's Arbitrum deployments.

Motivation and Specification

As part of Gauntlet's work with the Arbitrum Foundation to mitigate risk for the ecosystem while the ecosystem transitions from bridged USDC.e to Native USDC, Gauntlet has proposed adjustments to AAVE on Arbitrum. The adjustments covered in the report can be seen below:

- Weekly 3% reduction in LTV and LT for USDC.e

- (Depending on community preference) A conservative borrow/supply cap of 80% of circulating token supply onchain or an aggressive borrow/supply cap of 120% of circulating token supply onchain

These changes are intended to aid Arbitrum in the community's transition from USDC.e to USDC.

Specification

Note that for native USDC, Aggressive caps are higher than Conservative caps, but for USDC.e, Aggressive caps are lower than Conservative caps. This is intended for the purpose of migration (e.g., asset flows from USDC.e to native USDC).

One exception: for USDC.e borrow cap, the conservative value is greater than the current parameter value. If the conservative option is chosen, we would not move forward with increasing USDC.e borrow cap, as that would be against the intent of this migration recommendation.

Parameter

Current Parameter Value

Current Supply or Borrow

Aggressive Recommended Value

Conservative Recommended Value

USDC Borrow Cap

41,000,000

12,000,000

105,000,000

70,000,000

USDC Supply Cap

41,000,000

14,000,000

165,000,000

110,000,000

USDC.e Borrow Cap

100,000,000

29,000,000

70,000,000

105,000,000

USDC.e Supply Cap

150,000,000

33,000,000

110,000,000

120,000,000

Liquidations Data:

Total user count and amount liquidated for dropping USDC.e on Aave V3 on Arbitrum LT to 83%, 80%, and 76%.

83%: 553 liquidated users ($14,217)

80%: 1464 liquidated users ($218,726)

76%: 1864 liquidated users ($313,826)

You can read our full analysis here:[Gauntlet's USDC.e Initial Migration Report - #5 by gauntlet - General - Arbitrum](#)

Next Steps

- Snapshot vote targeting 10/24/2024.

Disclaimer

- Gauntlet is compensated by the Arbitrum Foundation to provide recommendations to the major protocols on Arbitrum to facilitate USDC migration. These strategic migration recommendations do not fall under the scope of Gauntlet's continuous [market risk management work](#) for the Aave DAO.

- This proposal is not meant to indicate that the Arbitrum community should mandate the actions of the multi-deployment and self-governed Aave DAO.

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