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

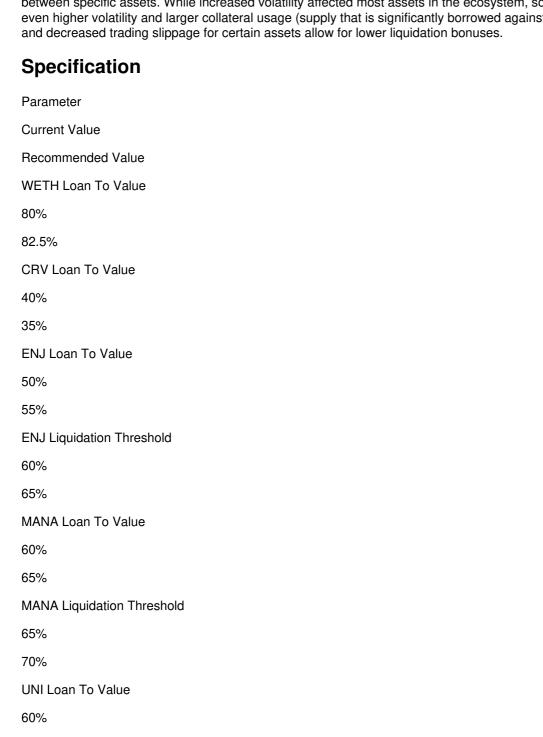
This proposal is a batch update of three risk parameters based on previously selected community risk level preferences. First, a continuation of the two previous liquidation bonus updates, <u>AIP-34: Liquidation Bonus Updates</u> and <u>AIP-38: Liquidation Bonus Updates for Eleven Aave V2 Assets</u>.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

Motivation

50%

YFI Loan To Value

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.



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

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	4821417
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Risk Dashboard	4744051
	Risk Dashboard

The community should use Gauntlet's <u>Risk Dashboard</u> 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