

Efficiency Mode (eMode)

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The High Efficiency mode feature (or "eMode") is designed to maximise capital efficiency when collateral and borrowed assets are correlated in price.

The `RISK_ADMIN`s and `POOL_ADMIN`, set by Aave Governance, can configure a maximum of 255 eMode categories, with each eModeCategory having following risk management parameters :

- LTV (Loan to value)
- Liquidation threshold
- Liquidation bonus
- A custom price oracle (optional)
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Category 0 is reserved as the default non-eMode category. All the assets listed on Aave V3, by default have category 0 (which indicates the standard operational mode). All Assets listed on Aave V3 can be set to any of the pre-configured eModeCategory by the `RISK_ADMIN`s or `POOL_ADMIN`.

The correct categorisation is not enforced on-chain and needs to be maintained by the `RISK_ADMIN`s and `POOL_ADMIN`s selected via the Aave Governance vote. eMode also offers the possibility of introducing a specific price oracle for a certain category.

How it works?

If the user has supplied liquidity to the protocol, the user eMode category is set to 0 by default.

The protocol allows user to set the user eMode category to any of the eModeCategories configured by the `PoolConfigurator` given the following conditions holds true:

- all the borrowed assets of the user are in the chosen category.
- changing eMode doesn't leave user position under-collateralised
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[Previous Portal](#) [Next Isolation Mode](#) Last updated 7 months ago On this page * [Efficiency Mode \(eMode\)](#) * [How it works?](#)

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