

# Summary

To increase our alignment with Aave and put “skin in the game,” we will refund a portion of our service fee should our risk parameter optimizations incur losses for the DAO during Gauntlet’s engagement. Our ultimate goal is to protect the protocol - we stand behind our work and want the community to have confidence in our optimizations.

## Motivation

Two main motivations are driving this effort from Gauntlet.

First, we want to signal our commitment to rigorous risk management for the DAO. We continue to pour resources [into education](#) and [risk dashboard development](#). We have learned communicating risks and tradeoffs effectively across DAO stakeholders is challenging. Alongside increasing the transparency efforts from our Platform, Engineering, Data Analytics, Data Science/ML, and Product teams, we want to be [held accountable](#).

Second, effective risk parameter tuning is only one component of a holistic strategy that a risk-aware DAO should consider.

## How this works

A portion (30%) of our service fee already paid

from [AIP-50](#) has been transferred in a lump sum to a new [multi-sig contract](#). These funds, currently denominated in stkAAVE, will be moved to a Polygon vault controlled by Gauntlet. Funds will be converted and actively managed by Gauntlet.

Losses are defined as any new insolvencies related to market risk or oracle failure.

Exclusions include issues relating to smart contract bugs or related to an underlying asset that is smart contract related and dust accounts (defined as accounts with borrow less than \$1,000). The refund does not apply if any Gauntlet risk parameter proposal fails during the engagement.

Should insolvencies occur, Gauntlet will share an update with the community, and send funds back to the DAO in a timely manner.

At the end of the current engagement (Dec-05-2022 05:53:58 PM +UTC), any remaining funds in the vault will be removed, realized by Gauntlet’s Finance team, and no longer eligible for a refund. A new vault will be funded and managed similarly should the engagement renew.

## FAQs

1. Why use a refund and not have the DAO hold the funds?

Like cloud service providers, the refund can be viewed as a penalty or discount for a failure to live up to the service level agreement and objectives. Additionally, Gauntlet does not want a bonus structured engagement which could muddle incentives.

1. Will Gauntlet not be incentivized to recommend conservative risk parameters to prevent insolvency?

No, our KPI-based engagement structure would see capital efficiency decline if we attempted to do so.

1. What if a Gauntlet risk parameter proposal fails but those same parameters are updated according to a modified Gauntlet proposal in the future?

The insolvency refund will be reactivated in that case.