Simple Summary

A proposal to extend Gauntlet's [Dynamic Risk Parameters](#) service for continuous market risk management to Aave Arc.

Abstract

Aave Arc has provided a strong signal of institutional interest since its launch. First [Fireblocks](#), then [Seba](#), and potentially [Securitize](#) to follow. Since last year, Gauntlet has been dynamically managing risk parameters for mainnet v2 markets. The new Aave Arc markets are Aave v2 forks with the same risk parameters, which lend them well to the same form of risk management.

Proposal

Motivation

Gauntlet has spoken with many of the institutions who signaled interest in the initial Aave Arc - Fireblocks' [markets](#). Our goals for Aave v2 and Arc to optimize yield, capital efficiency, and mitigate depositor losses resonate with this audience which is often more familiar with the internal risk functions in traditional finance.

Next Steps

1. Set up a separate instance for the Fireblocks' markets

[ARC - Update Risk Parameters Mainnet Arc Market - #2 by inkyamze](#)

1. Calibrate and refit the new instance models. Depending on the concentration of assets per user (i.e., two or three users supplying >50% of the supply), simulations results could drastically change compared to the original Aave V2 simulations if TVL on Aave Arc multiplies. Gauntlet's simulation data scientists will be calibrating Aave v2 tailored models to ensure predictable deployment with new Arc markets (Seba, Securitize) in the future.

2. Generate new parameter recommendations and ensure legal considerations are cleared.

3. Proceed with an ARC (request for comments), Snapshot poll, and AIP.

We welcome open discussion from whitelisted entities (Seba [@ChriSEBA](#), Fireblocks [@salmanblocks](#), Securitize [@mike.rogers](#)) and anyone else in the community.

Resources

[Aave Arc docs](#)

[Fireblocks Markets](#)