Simple Summary

A proposal to adjust two (2) total risk parameters, including Liquidation Threshold and Loan To Value, across one (1) Aave V2 asset.

Motivation

This set of recommendations follows AIP 117 to further de-risk the REN market.

Supporting Data on Aave V2

Top 30 borrowers' aggregate positions & borrow usages

Top 30 borrowers' entire supply

Top 30 borrowers' entire borrows

Price changes of key assets since 2022-11-03

Time series of Value at Risk (VaR) since 2022-11-03

Top 10 REN suppliers and percentage of total REN supplies:

Top 10 REN suppliers and borrow usages:

Entire supply positions for top 10 REN suppliers:

Entire borrow positions for top 10 REN suppliers:

Below, Gauntlet analyzes the user which contributes the most Value at Risk per our simulations.

User: 0x364d5077c4c6bce6280705fe657fc4c55fdac363

User supply breakdown

Relevant collateral factors

User borrowing power breakdown

User borrows breakdown

User borrow usage

Note that this user has been elastic as of late, updating their token positions often.

Aave V2 Parameter Changes Specification

Gauntlet's simulation engine will continue to adjust risk parameters to maintain protocol market risk at safe levels while optimizing for capital efficiency.

These parameter recommendations reflect the unique situation of REN in the current market conditions.

Parameter

Current Value

Recommended Value

REN Liquidation Threshold

65%

60%

REN Loan To Value

60%

55%

Notable Accounts to Flag

As of 11/16/2022, the data shows that only one dust account, 0x0e1337ea2c604f9a937d2623af206cdd02167b38

would be liquidated as a result of these parameter updates. This account has a total of ~$100 in supply.

This could change if prices move significantly. On a daily basis, up until this proposal is executed, we will check whether these parameter updates will cause any liquidations and update the community on this forum post.

Aave Arc (Fireblocks) Parameter Changes Specification

We recommend no change to Aave Arc protocol parameterization at this time.

Risk Dashboard

The community should use Gauntlet's Aave V2 Risk Dashboard to understand better the updated parameter suggestions and general market risk in Aave V2. Gauntlet has also launched the Aave Arc Risk Dashboard.

Value at Risk represents the 95th percentile insolvency value

that occurs from simulations we run over a range of volatilities to approximate a tail event.

Liquidations at Risk represents the 95th percentile liquidation volume

that occurs from simulations we run over a range of volatilities to approximate a tail event.

Next Steps

- Initiate a Snapshot immediately since the community has recently weighed in on changes of this nature.

- Targeting an AIP on 2022-11-21

Quick Links

Analytics Dashboard

Risk Dashboard

Aave Arc Risk Dashboard

Gauntlet Parameter Recommendation Methodology

Gauntlet Model Methodology

Gauntlet launched an insolvency refund for Aave that contains a portion of our payment stream that can be clawed back in the event of insolvencies due to market risk. Since our last recommendation there have been no new insolvencies in Aave. Gauntlet's Insolvency Refund vault is still live and can be seen here 0x7667095Caa12b79fCa489ff6E2198Ca01fDAe057

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