

Simple Summary

A proposal to reduce Liquidation Thresholds on Aave V2 Ethereum and Polygon.

Motivation

Following the [v2 deprecation framework](#), Chaos Labs and Gauntlet advise implementing the subsequent parameter changes to the frozen assets on Aave v2 Ethereum and Polygon

As Liquidation Threshold reductions may lead to user accounts being eligible for liquidations upon their approval, we want to clarify the full implications to the community at each step. We will publicly communicate the planned amendments and list of affected accounts leading to the on-chain execution.

Gauntlet Analysis

Aave v2 Ethereum

Following the [deprecation schedule](#), we recommend the following conservative and aggressive parameter changes to frozen assets on Aave v2 Ethereum. The conservative recommendations aim to liquidate no assets, and the aggressive recommendations aim to limit the maximum amount liquidated per asset to \$6000.

Out of 25 frozen assets, there are already 5 assets (BUSD, FIL, RAI, AMPL and UST) with LT of 0, and 6 assets (BAL, 1INCH, SUSHI, BAT, FEI and KNC) with LT of 0.01.

Conservative:

Asset

Current LT

Rec LT

Value Liquidated (\$)

Accounts Liquidated

Cur HF

New HF

Needed HF

CRV

0.3

0.26

0

0

11.1

11.09

1.08

CVX

0.24

0.19

0

0

1.68

1.63
1.05
MANA
0.29
0.25
0
0
2.1
2.09
1.06
MKR
0.28
0.27
0
0
1.59
1.59
1.08
REN
0.18
0.13
0
0
1.69
1.69
1.12
UNI
0.55
0.52
0
0
1.87
1.87
1.07
YFI
0.32
0.3

0

0

2.32

2.32

1.08

Aggressive:

Under these recommendations, each asset will see less than \$6,000 of its collateral liquidated. In total, this will affect 53 accounts, leading to a cumulative liquidation of \$28,189.93 in collateral value.

Asset

Current LT

Rec LT

Value Liquidated (\$)

Accounts Liquidated

Cur HF

New HF

Needed HF

CRV

0.3

0.24

252.24

2

11.1

11.09

1.08

CVX

0.24

0.19

0

0

1.68

1.63

1.05

DPI

0.05

0.01

89.95

1

1.71

1.69
1.05
ENJ
0.44
0.42
317.25
1
1.66
1.66
1.06
ENS
0.38
0.31
5653.83
9
1.37
1.36
1.05
LINK
0.8
0.76
5929.98
6
2.21
2.16
1.07
MANA
0.29
0.23
452.75
3
2.1
2.08
1.06
MKR
0.28
0.24

141.69
2
1.59
1.58
1.08
REN
0.18
0.01
4508.68
6
1.69
1.68
1.12
SNX
0.3
0.19
5962.36
7
1.93
1.92
1.1
UNI
0.55
0.4
4129.92
14
1.87
1.85
1.07
YFI
0.32
0.3
0
0
2.32
2.32
1.08

ZRX
0.24
0.14
751.28
2
1.91
1.46
1.29

AAVE V2 Polygon

We recommend the following conservative and aggressive parameter changes to assets on Aave v2 Polygon. The conservative recommendations aim to liquidate no assets, and the aggressive recommendations aim to limit the maximum amount liquidated per asset to \$6000.

Conservative:

Asset
Current LT
Rec LT
Value Liquidated (\$)
Accounts Liquidated
New HF
Needed HF
BAL
0.45
0.41
0
0
1.69
1.07
CRV
0.45
0.37
0
0
1.72
1.1
DPI
0.45
0.19
0

0
2.67
1.05
GHST
0.4
0.35
0
0
1.77
1.08
SUSHI
0.45
0.22
0
1
1.43
1.09

Aggressive:

Under these recommendations, each asset will see less than \$6,000 of its collateral liquidated. In total, this will affect 457 accounts, leading to a cumulative liquidation of \$23,396.070 in collateral value.

Asset
Current LT
Rec LT
Value Liquidated (\$)
Accounts Liquidated
New HF
Needed HF
BAL
0.45
0.01
1289.23
18
1.686
1.07
CRV
0.45
0.01
197.89

16
1.716
1.1
DPI
0.45
0.01
78.39
2
2.648
1.05
GHST
0.4
0.31
7.54
2
1.756
1.08
LINK
0.65
0.21
2107.32
11
1.651
1.08
SUSHI
0.45
0.01
27.06
4
1.43
1.09

Chaos Labs Analysis

Moderate

The moderate recommendations below suggest an LT configuration that optimizes reductions without significantly increasing the number of accounts eligible for liquidation. The proposed values are set at a margin of ~2-4% from the closest LT figure, which would trigger more substantial liquidations.

Asset
Current LT

Chaos Rec LT
Value Liquidated (\$)
Accounts Liquidated
CRV
30%
25%
126
1
CVX
24%
20%
114
4
DPI
5%
1%
-
-
ENJ
44%
1%
4.64K
14
ENS
38%
30%
2.7K
9
LINK
80%
75%
3.63K
9
MANA
29%
24%
228

3	
MKR	
28%	
26%	
72	
2	
REN	
18%	
1%	
2.24K	
6	
SNX	
30%	
1%	
10.55K	
20	
UNI	
55%	
40%	
2.16K	
14	
YFI	
32%	
25%	
3.33K	
1	
ZRX	
24%	
18%	
-	
-	
Value liquidated	
Accounts liquidated	
Total	
\$32,370	
83	
Aggressive	

The aggressive recommendations ensure the depreciation of several assets (CVX, MANA, YFI), with an increase of ~\$74K in value liquidated

Asset

Current LT

Chaos Rec LT

Value Liquidated (\$)

Accounts Liquidated

CRV

30%

25%

126

1

CVX

24%

1%

33.24K

2

DPI

5%

1%

-

-

ENJ

44%

1%

4.64K

14

ENS

38%

30%

2.7K

9

LINK

80%

75%

3.63K

9

MANA

29%	
1%	
25.55K	
13	
MKR	
28%	
26%	
72	
2	
REN	
18%	
1%	
2.24K	
6	
SNX	
30%	
1%	
10.55K	
20	
UNI	
55%	
40%	
2.16K	
14	
YFI	
32%	
1%	
20.24K	
10	
ZRX	
24%	
18%	
-	
-	
Value liquidated	
Accounts liquidated	
Total	

\$106,024

103

Aave v2 Polygon

Asset

Current LT

Chaos Rec LT

Value Liquidated (\$)

Accounts Liquidated

SUSHI

45%

1%

13

3

DPI

45%

1%

40

2

BAL

45%

1%

1.2K

15

CRV

45%

1%

127

11

GHST

40%

1%

7.7K

10

LINK

65%

1%

6.6K

26

Value liquidated

Accounts liquidated

Total

\$15,600

69

Specification

Chaos and Gauntlet align on the aggressive approach to expedite the deprecation of several assets on V2, with a potential for ~\$120K in total value eligible for liquidation, at the time of posting this proposal

Aave v2 Ethereum

Asset

Current LT

Rec LT

Value Liquidated (\$)

Accounts Liquidated

CRV

30%

25%

126

1

CVX

24%

0.05%

33.24K

2

DPI

5%

0.05%

-

-

ENJ

44%

0.05%

4.64K

14

ENS

38%

30%
2.7K
9
LINK
80%
75%
3.63K
9
MANA
29%
0.05%
25.55K
13
MKR
28%
26%
72
2
REN
18%
0.05%
2.24K
6
SNX
30%
0.05%
10.55K
20
UNI
55%
40%
2.16K
14
YFI
32%
0.05%
20.24K

10

ZRX

24%

18%

-

-

1INCH

1%

0.05%

-

-

BAL

1%

0.05%

-

-

BAT

1%

0.05%

-

-

KNC

1%

0.05%

-

-

FEI

1%

0.05%

-

-

xSUSHI

1%

0.05%

-

-

Value liquidated

Accounts liquidated

Total

\$106,024

103

Aave v2 Polygon

Asset

Current LT

Rec LT

Rec LTV

Value Liquidated (\$)

Accounts Liquidated

SUSHI

45%

0.05%

0%

13

3

DPI

45%

0.05%

0%

40

2

BAL

45%

0.05%

0%

1.2K

15

CRV

45%

0.05%

0%

127

11

GHST

40%

0.05%

0%

7.7K

10

LINK

65%

0.05%

0%

6.6K

26

Value liquidated

Accounts liquidated

Total

\$15,600

69

Next Steps

We will move forward with the[direct-to-AIP framework](#) and publish an AIP to implement the proposed updates.

Disclaimer

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