

Simple Summary

A proposal to reduce Liquidation Threshold (LT) for CRV on Aave V2 Ethereum.

Motivation

Following the [CRV V2 Ethereum Deprecation Plan](#)

approved by the community and given the current market conditions and protocol usage, Chaos Labs and Gauntlet aligned on a 2% LT reduction.

Chaos originally proposed a 3% reduction, while Gauntlet proposed a 2% reduction. The individual analyses and considerations can be found below.

As of today, this LT reduction will not make any account eligible for liquidation.

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. Chaos Labs will publicly communicate the planned amendments and list of affected accounts leading to the on-chain execution.

Chaos Labs Analysis

Chaos Labs recommends a 3% reduction, with the following impact on top CRV suppliers (used as collateral):

Account

Total Supply (USD)

Total CRV Supplied

Total CRV Supplied (USD)

Total Borrows

Health

Health After Change

CRV price that will trigger liquidation

0x7a16ff8270133f063aab6c9977183d9e72835428

58.18M

123.35M

58.18M

14.78M

1.93

1.81

45%

0xc420c9d507d0e038bd76383aaadcad576ed0073c

2.13M

4.52M

2.13M

429.64K

2.44

2.28

56%

0xb5587a54ff7022ac218438720bdcd840a32f0481

1.86M

1.86M

875.55K

1.15M

1.12

1.10

29%

0x279a7dbfae376427ffac52fcb0883147d42165ff

888.56K

1.57M

741.14K

420.51K

1.14

1.10

13%

0xaecdde1672f3f121b3a6c43a2e0b5dfc28f6224c

558.8K

1.15M

558.8K

233.88K

1.17

1.10

10%

Gauntlet Analysis

Gauntlet recommends changing the LT from 49% to 47%. Given ~5% daily volatility for CRV, this will preserve a 3-std daily move buffer to historically maintained HF levels for the largest suppliers of CRV, which reduces the risk of unhealthy liquidations.

Specification

Asset

Parameter

Current Value

Recommendation

Change

CRV

LT

49

47

-2%

Next Steps

As the community approved a direct-to-AIP framework for the CRV deprecation plan, we plan to submit an Aave Improvement Proposal (AIP) to implement the proposed updates.

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