title: [ARFC] Align AAVE Risk Parameters on Aave V3 Ethereum Market with Aave V2

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Summary

This Aave Request for Comments (ARFC) proposes the alignment of the AAVE risk parameters on the Aave V3 Ethereum market with those on Aave V2, as the current parameters on Aave V3 are less attractive for users considering migration. By matching the Aave V2 parameters, we aim to encourage migration and ensure a smoother transition for users. This proposal does not suggest any changes to Aave V3 caps or interest rate strategies.

Proposed Aave V3 Parameter Changes

To make Aave V3 more attractive for migration and to match Aave V2 parameters, we propose the following changes:

1. Loan-to-Value (LTV): Increase the LTV from 60% to 66%.

2. Liquidation Threshold (LT): Increase the LT from 70% to 73%.

3. Liquidation Penalty (LP): Maintain the current LP of 7.5%, as it is already in alignment with Aave V2.

No changes to Aave V3 caps or interest rate strategies are proposed in this ARFC.

Recap Table

Parameter	Current Aave V3	Current Aave V2	Proposed Aave V3
Loan-to-Value (LTV)	60%	66%	66%
Liquidation Threshold (LT)	70%	73%	73%
Liquidation Penalty (LP)	7.5%	7.5%	7.5%

Disclaimer

The Aave-Chan Initiative (ACI) is not compensated in any form for creating this ARFC proposal.

This ARFC has been prepared solely to facilitate community discussion.

At the time of writing, the author owns ~26k AAVE or related assets for a value of approx $2M.

Next Steps

1. Gather feedback and input from the Aave community and risk service providers on the proposed risk parameters and

deployment details.

2. Refine the ARFC based on community feedback and risk service provider recommendations.

3. If consensus is reached and the proposal is refined, submit the ARFC for a snapshot vote for final approval.

4. If consensus is reached, submit an Aave Improvement Proposal (AIP) to update the risk parameters on the Aave V3 Ethereum market.

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