

# Simple Summary

Gauntlet and Chaos Labs propose to freeze and set LTV to 0 for DPI, BAL, CRV, and SUSHI on Aave v3 Polygon.

## Motivation

### DPI

DPI's contribution to the protocol's reserve growth is minimal, both from DPI borrows and assets borrowed against it. With \$17.59k borrowed in DPI at an average Borrow APY of 2.85% and a 35% Reserve Factor, the annual reserve growth for DPI is just \$175. Additionally, DPI's Collateral Usage is only \$25.4k, collateralized mostly against stablecoin borrows. Assuming a 7% stablecoin Borrow APY and a 10% reserve factor, this results in an annual reserve growth of \$178 from stablecoins borrowed against DPI.

The primary reason to keep smaller-cap assets like DPI is to offer a diverse range of assets to Aave's users. However, if prioritizing capital efficiency is more important to the community, we can start deprecating DPI and similar assets.

Reducing DPI's LTV to 0 will not immediately affect the current DPI suppliers who are utilizing 89.5% of the supply cap. However, it will hinder their ability to increase their existing borrows up to the current 20% LTV and hinder the ability for future DPI suppliers to borrow against DPI. This adjustment dissuades but does not prevent users from supplying DPI. It also does not stop users from borrowing DPI, which has a 20% borrow cap utilization. Reducing the supply cap and borrow cap to 0 would ensure no future DPI suppliers and borrowers are able to join the protocol. Freezing DPI will also prevent any future DPI supply and borrows and rate switching.

We recommend freezing DPI to prevent any future DPI supply / borrows, setting the LTV to 0 to hinder existing suppliers' ability to increase their existing borrows up to the current 20% LTV, and then moving forward with the collateral asset delisting process, including reducing the LT and updating the IR curve.

### BAL, CRV, SUSHI

Similar to DPI (\$25.4k Collateral Usage), other low-cap assets we recommend freezing and reducing LTV to 0 are:

Collateral Asset

Collateral Usage

BAL

\$69.7k

CRV

\$235.8k

SUSHI

\$97.4k

These assets also contribute minimally to the protocol's reserve growth.

## Specification

Freeze and set LTV to 0 for DPI, BAL, CRV, and SUSHI on Aave v3 Polygon.

## Next Steps

Welcome community feedback and will put up snapshots for each of the collateral asset next week.

## Disclaimer

Gauntlet has not received any compensation from any third-party in exchange for recommending any of the actions contained in this proposal.

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