

Summary

A proposal to gradually wind down the CRV market on Aave V2 Ethereum via a series of LT reductions.

Motivation

In light of the ongoing [discussions](#)

concerning the CRV market on v2 Ethereum and further propelled by the debates and developments following the [Vyper Exploit](#)

, our recommendation remains to deprecate the CRV market on V2 by implementing a series of LT reductions.

We have previously proposed and executed the following reductions:

1. [\[ARC\] - Risk Parameter Updates for Aave v2 Ethereum - LTs and LTVs for Long Tail Assets \(2022.12.04\)](#)
2. [\[ARFC\] - Chaos Labs Risk Parameter Updates - CRV Aave V2 Ethereum - 2023.06.15](#)
3. [\[ARFC\] - Chaos Labs Risk Parameter Updates - CRV Aave V2 Ethereum - 2023.07.10](#) - execution was canceled due to CRV price volatility. Given the current market conditions, we plan to resubmit this proposal shortly by AIP.

While we advocate for proactive offboarding of the market, our recommendation is that the DAO risk managers deliver a bi-weekly analysis and recommendation for each individual LT reduction. This would be similar to the process of increasing supply caps. If the risk managers agree on a single recommendation, the proposal would move directly to an AIP, but in case of disagreement, the more conservative approach would be adopted, with the alternative proposal put to a Snapshot vote for the community to decide.

Plan:

Following is our recommended bi-weekly plan for communications and community transparency of the process:

- Monday
- Risk teams conduct independent analyses and recommendations, considering (but not limited to) the following:
 - Impact of the LT reduction on user positions - number of accounts and total amounts eligible for liquidation post-LT update
 - Impact of the LT reduction on the health factor of the top accounts
 - On-chain liquidity
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- Tuesday
- Gauntlet and Chaos Labs post a joint recommendation post after syncing on their analyses above
- Wednesday
- AIP posted
- If risk teams are not aligned on a single recommendation, a Snapshot vote will be posted to gauge community preference
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Next Steps:

1. We invite the community to provide their insights and feedback on this proposal.

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