Summary

A proposal to update Reserve Factors and IR curves for frozen assets on V2 Ethereum as part of the ongoing deprecation plan.

Motivation

In the past several months, the community is in the process of gradually winding down the V2 markets via a series of LT reductions and incremental increases in RFs. These efforts have been ongoing with the following proposals already implemented:

- [ARFC] Chaos Labs - Incremental Reserve Factor Updates - Aave V2 Ethereum

- [ARFC] Freeze CRV on V2

- [ARFC] Chaos Labs Risk Parameter Updates - Aave V2 Ethereum - 2023.6.23

- [ARFC] TUSD Offboarding Plan

- [ARFC] Set CRV LTV to Zero on V2

- [ARFC] Chaos Labs Risk Parameter Updates - Aave V2 Ethereum - 2023.08.09

- [ARFC] CRV Aave V2 Ethereum - LT Reduction - 08.21.2023

- [ARFC] TUSD Offboarding Plan Part II

- [ARFC] CRV Aave V2 Ethereum - LT Reduction - 09.19.2023

- [ARFC] V2 Ethereum Deprecation 10.03.2023

- [ARFC] V2 Ethereum LT Reductions - 10.27.2023

- [ARFC] V2 Ethereum Deprecation 11.20.2023

Below are the current supply and borrow amounts and utilization for V2 Ethereum frozen assets, excluding assets that have already had IR curves amended in previous proposals and LINK, which will be accommodated separately:

Asset

Total Supply ($)

Total Borrows ($)

Utilization Rate

Borrow APY

Base

Uoptimal

Slope1

Slope2

CRV

$10,580,000

$2,310,000

21.83%

10.44%

3%

45%

17%

300%

SNX

$3,570,000

$2,080,000

58.26%

12.44%

3%

80%

15%

100%

MKR

$4,830,000

$341,800

7.08%

1.11%

0%

45%

7%

300%

DPI

$322,890

$264,000

81.76%

586%

0%

50%

7%

300%

ZRX

$1,840,000

$210,290

11.43%

0.18%

0%

45%

7%

300%

CVX

$510,630

$199,390

39.05%

6.24%

0%

45%

7%

300%

1INCH

$107,930

$107,930

100.00%

2054%

0%

45%

7%

300%

MANA

$860,890

$68,980

8.01%

1.25%

0%

45%

7%

300%

ENJ

$421,880

$53,730

12.74%

2%

0%

45%

7%

300%

RAI

$257,980

$49,400

19.15%

0.96%

0%

80%

4%

75%

UNI

$5,650,000

$47,010

0.83%

0.13%

0%

45%

7%

300%

AMPL

$40,750

$39,800

97.67%

186.21K%

1%

80%

3%

750%

BAT

$168,860

$36,360

21.53%

3.41%

0%

45%

7%

300%

BAL

$465,520

$35,720

7.67%

7.37%

5%

80%

27%

150%

YFI

$1,160,000

$27,900

2.41%

0.37%

0%

45%

7%

300%

KNCL

$32,320

$20,330

62.90%

8.03%

0%

65%

8%

300%

ENS

$9,200,000

$18,200

0.20%

0.03%

0%

45%

7%

300%

UST

$85,430

$10,150

11.88%

0.60%

0%

45%

7%

300%

REN

$174,060

$6,900

3.96%

0.62%

0%

45%

7%

300%

xSUSHI

$888,870

$727

0.08%

0.01%

0%

45%

7%

300%

As part of our ongoing deprecation process, we propose the following measures designed to motivate the repayment of borrowed assets and the redemption of supplied assets:

Increase Reserve Factors:

In order to further disincentivize the supply of the assets being deprecated, this proposal recommends setting the RFs of all frozen assets on V2 Ethereum to near 100%. This change will effectively remove any yield for depositors of these assets, thereby discouraging their supply.

Increase Borrow Rates:

To encourage the repayment of borrowed assets, we propose raising the borrow rates across V2 frozen assets. This will be achieved by creating a constant borrow rate up to the currently set UOptomal configuration. Accordingly, we put forward the following options for the community to choose from:

Moderate (Chaos Recommendation):

1. Set Base Rate at 20%

2. Set Slope1 at 0%

3. Set Slope2 at 300%

Aggressive:

1. Set Base Rate at 40%

2. Set Slope1 at 0%

3. Set Slope2 at 300%

After these changes are put into effect, we'll evaluate their influence on loan repayments and, if necessary, offer additional recommendations. Future updates could involve further hikes in borrow rates and adjustments to the UOptimal points.

Specification

Asset	Current RF	Rec RF	Current Base	Recommended Base	Current Slope1	Recommended Slope1	Current Slope2	Recommended Slope2
1INCH	30%	99.90%	0%	20% / 40%	7%	0%	300%	300%
BAL	35%	99.90%	5%	20% / 40%	22%	0%	150%	300%
BAT	35%	99.90%	0%					

20% / 40%

7%

0%

300%

300%

CRV

30%

99.90%

3%

20% / 40%

14%

0%

300%

300%

CVX

35%

99.90%

0%

20% / 40%

7%

0%

300%

300%

DPI

35%

99.90%

0%

20% / 40%

7%

0%

300%

300%

ENJ

35%

99.90%

0%

20% / 40%

7%

0%

300%

300%

ENS

30%

99.90%

0%

20% / 40%

7%

0%

300%

300%

MANA

50%

99.90%

0%

20% / 40%

7%

0%

300%

300%

MKR

30%

99.90%

0%

20% / 40%

7%

0%

300%

300%

REN

35%

99.90%

0%

20% / 40%

7%

0%

300%

300%

SNX

45%

99.90%

3%

20% / 40%

12%

0%

100%

300%

UNI

30%

99.90%

0%

20% / 40%

7%

0%

300%

300%

xSUSHI

50%

99.90%

0%

20% / 40%

7%

0%

300%

300%

YFI

35%

99.90%

0%

20% / 40%

7%

0%

300%

300%

ZRX

35%

99.90%

0%

20% / 40%

7%

0%

300%

300%

KNCL

30%

99.90%

0%

20% / 40%

8%

0%

300%

300%

UST

20%

99.90%

0%

20% / 40%

4%

0%

300%

300%

AMPL

10%

99.90%

1%

20% / 40%

2%

0%

750%

300%

RAI

20%

99.90%

0%

20% / 40%

4%

0%

75%

300%

Next Steps:

1. Following community feedback, submit the ARFC for a snapshot vote for final approval.

2. If consensus is reached, submit an Aave Improvement Proposal (AIP) to implement the proposed updates.

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