Chaos Labs Parameter Recommendation Platform

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Summary

Since officially joining the Aave community in November 2022, the team at Chaos Labs has been committed to managing risk across all markets. Over the last few months, we produced numerous recommendations that were successfully implemented across all markets and shared various analyses and methodologies to facilitate discussions within the community.

Our team has been diligently delivering risk management services while building out our parameter tooling and risk analytics to better support and provide transparency to our recommendations. Today, we are thrilled to reveal our Parameter Recommendation Platform and make it publicly available for the community.

Our platform aims to provide ongoing and automated risk management, allowing the community to reduce risk and maximize efficiency when it comes to capital. Today, we launched a public dashboard accessible to the community, which makes it easier for users to identify the tradeoffs between risk parameters. This platform will further contribute to a better understanding and transparency of the parameter recommendation process.

The Platform

Two key features make our parameter recommendation platform unique.

The first is our innovative, industry-leading simulation framework. At the heart of our methodology is Chaos Labs' high-fidelity agent-based simulation platform, which we use to simulate on-chain debt and liquidation behaviors. We run hundreds of thousands of simulations using different price trajectories to measure key variables such as Value at Risk and Borrow Usage at statistically significant confidence. The result is an unmatched view of the various configurations of assets and chains, exposing the optimal parameters irrespective of possible market conditions. With this knowledge, the Aave community can better set its parameters to protect the protocol from potential bad debt.

The second is our absolute commitment to transparency. We are continuously opening our tools and methodologies to the broader Aave community, where possible so that anyone can explore our simulations, grapple with the results, and see first-hand what the consequences of different parameter configurations could be. Accessing and viewing clear and concise information provides accountability and trust that sets our platform apart. Finally, the combination of transparency and data availability makes it a valuable tool for decision-making and continuous community education.

The launch of Chaos' parameter recommendation platform is a testament to these two principles. It marks the beginning of a new chapter in the Aave community's ability to analyze, understand, and enhance capital efficiency for the protocol. We hope the community sees this as an opportunity to collaborate as we refine our methodology to match the protocol's evolution.

We invite the community to read our full in-depth blog post and portal run-through here.

What's Next

At launch, the platform only supports the Avalanche network. We will gradually roll out the remaining networks over the next several weeks to support all V3 deployments.

As a community-first tool, we welcome all feedback and feature requests. We are constantly looking to improve our products and offerings and will be iterating on the platform to provide the best experience and value to its users.

After receiving initial community feedback, we plan to use the platform to provide parameter recommendations to the community.

Chaos Labs will host a community call, including a product run-through and Q&A, on February 9th at 11 am EST. Register here.