

CRV Aave V2 Ethereum - LT Reduction Update - 09.05.2023

Simple Summary

Update on CRV V2 Ethereum Deprecation Plan: No change to the CRV Liquidation Threshold (LT) this week.

Motivation

Following the [CRV V2 Ethereum Deprecation Plan](#)

approved by the community and given the current market conditions and protocol usage, Chaos Labs and Gauntlet aligned on a 0% LT reduction this week.

Chaos originally proposed a 2% reduction, while Gauntlet proposed a 0% reduction. The individual analyses and considerations can be found below.

Chaos Labs Analysis

Chaos Labs recommends a 2% reduction, with the following impact on top CRV suppliers (used as collateral):

Account

Total Supply (USD)

Total CRV Supplied

Total Borrows (USD)

Health

Health After Change

0x7a16ff8270133f063aab6c9977183d9e72835428

44.06M

101.28M

11.35M

1.82

1.75

0xc420c9d507d0e038bd76383aaadcad576ed0073c

1.97M

4.54M

440K

2.11

2.02

0xb5587a54ff7022ac218438720bdcd840a32f0481

1.71M

1.7M

1.08M

1.09

1.08

0x279a7dbfae376427ffac52fcb0883147d42165ff

794K

1.50M

404K

1.07

1.04

0xaecdde1672f3f121b3a6c43a2e0b5dfc28f6224c

480K

1.10M

212K

1.06

1.02

Gauntlet Analysis

Gauntlet recommends no change to the LT for CRV on Ethereum v2 this week.

Since our last update on 8/21, 22.14M CRV has been withdrawn and 3.55M USDT repaid by the user. Given their previous 14.81M USDT borrow position and current 11.32M USDT borrow position on Ethereum Aave v2, this represents a 23.57% reduction in remaining debt.

This corresponds to a decline in the user's health factor to 1.85, despite the position reduction.

Daily CRV volatility is ~ 4.5%. Given that CRV liquidity has not materially improved, Gauntlet recommends having a sufficient buffer to the user's historical HF maintenance levels. Based on Gauntlet's deprecation schedule highlighted [here](#), applying a 3-std buffer to the user's historical health factor maintenance level of 1.6 would require a HF of 1.85, leaving insufficient room to reduce LT.

Given that we do not suggest an LT change this week, we recommend revisiting the LT reduction next week.

Next Steps

We will revisit CRV on Ethereum v2 and provide LT reduction recommendations next week.

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