

Simple Summary

A proposal to adjust thirteen (13) total risk parameters across eleven (11) Aave V2 assets including LTV, Liquidation Threshold, and Liquidation Bonus.

Abstract

This proposal is a batch update of three risk parameters to align with the [Moderate risk level](#) chosen by the Aave community. These parameter updates are a continuation of Gauntlet’s regular parameter recommendations, the latest being [AIP-39: Risk Parameter Updates for Aave V2 assets](#).

Motivation

This set of parameter updates seeks to maintain the overall risk tolerance of the protocol while making risk trade-offs between specific assets. Volatility for non-stablecoin crypto assets remains high. As such, we focused on supporting protocol safety for our parameter changes in this cycle.

Adjustments were also made for three liquidation bonus values. These assets (UNI, BAL, LINK) saw increases in liquidity and trading volume and a reduced liquidation recommended value as a result. As always, simulation recommended values seek to maintain capital efficiency and uphold borrow usage levels.

Specification

Parameter

Current Value

Recommended Value

REN Loan To Value

55%

50%

SNX Loan To Value

20%

30%

SNX Liquidation Threshold

45.0%

55.0%

DPI Loan To Value

60%

55%

UNI Loan To Value

60%

55%

UNI Liquidation Bonus

10.0%

8.0%

YFI Loan To Value

45%

50%

BAL Liquidation Bonus

10.0%

8.0%

LINK Liquidation Bonus

10.0%

7.5%

BAT Liquidation Threshold

75.0%

80.0%

ENJ Liquidation Threshold

60.0%

65.0%

MANA Liquidation Threshold

65.0%

75.0%

ZRX Liquidation Threshold

70.0%

75.0%

See below volatility and exchange volume data from 9/28 to 10/06 that were important drivers for the updated parameter recommendations.

It is important to note that these drivers give insight into why Gauntlet's simulations will output a new VaR calculation for a set of parameters, but each parameter can not be estimated by input changes. For example, the decrease in trading volume for DPI indicates lowered liquidity, while there are large increases for ENJ, MANA, and BAT. These suggest more liquidity and easier liquidations, but that relationship changes over time.

Symbol

10-06 Volatility

09-28 Volatility

Volatility Change

Weekly Average Daily Volume Change (%)

BAL

1.571708299

1.639825348

-0.068117049

-10.9455427

BAT

1.26231086

1.275188876

-0.012878016

15.9070933

DPI

1.248509981

1.229162786

0.019347195

-32.3316308

ENJ

1.684204979

1.660170507

0.024034472

41.6823744

LINK

1.516493567

1.544861958

-0.028368391

-26.3753689

MANA

1.496152162

1.514235863

-0.018083701

17.6977064

REN

2.073377777

2.076540272

-0.003162495

-30.6057152

SNX

1.817169075

1.805791921

0.011377154

-8.6204277

UNI

1.625790476

1.592116599

0.033673877

-10.4719062

YFI

1.240436029

1.248934665

-0.008498636

-4.4142493

ZRX

1.496783606

1.474725052

0.022058554

-14.7444996

Risk Dashboard

The community should use Gauntlet's [Risk Dashboard](#) to better understand the updated parameter suggestions and general market risk in Aave V2.

Next Steps

- Initiate a Snapshot immediately since the community has already weighed in on changes of this nature recently.
- Targeting an AIP on 2021-10-11