Summary

At the time of the launch of V3 Ethereum, no assets were configured as borrowable in Isolation Mode. In this proposal, Chaos Labs recommends enabling all stablecoins listed on V3 Ethereum as [borrowable in isolation mode](#).

Motivation

The motivation to list the stablecoins as borrowable assets in Isolation Mode is similar to previous deployments and is derived mainly from the low volatility of those assets. Given that Isolation Mode assets are susceptible to high volatility, we find it paramount to maintain the other side of the position stable in order to reduce liquidations and resulting bad debt.

Stablecoin Volatility

By observing chainlink prices of the 4 stablecoins on Ethereum V3, we have derived the following volatility measures:

daily annualized volatility

30-day annualized volatility

USDC

10.56%

16.92%

USDT

10.19%

7.94%

DAI

11.14%

16.3%

LUSD

7.07%

10.64%

USDC

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DAI

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USDT

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LUSD

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Implementation

We recommend listing USDC, USDT, DAI, and LUSD as assets allowed for borrowing in Isolation Mode on Ethereum V3.

This proposal aims to implement a single AIP, which will simply call setBorrowableInIsolation() on the assets on the [PoolConfigurator](#) contract.

Next Steps

We are targeting a Snapshot vote for next Monday, March 27th, 2023.