

## Overview

In light of recent market changes, Chaos Labs recommends decreasing the Slope 1 parameter for stablecoins by 0.5 percentage points. These changes will be implemented through the risk steward process.

## Motivation

The borrow rate for stablecoins across Aave has fallen in recent weeks as the market has pulled back and speculative activity (stemming from sUSDe for example) has decreased. The chart below shows the median stablecoin borrow rate on each Aave V3 instance, with each line weighted according to the total stablecoin borrow on that deployment.

[

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Ethereum Core has demonstrated a clear downward trend following our previous IR curve change, falling from 14.3% to 11.7% as of this writing.

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While the interest rate stabilized around 11.5%, the utilization rate of all the assets decreased, significantly worsening the market efficiency. Both USDC and USDT have shown a downwards trend, but utilization rate for USDS in particular has declined sharply, this is caused by the peculiar interest rate curve of the asset, that has a base interest rate of 11.75%. In order to better align the USDS interest rate curve to its demand we will exclude it from this recommendation and propose changes in a separate proposal.

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On Arbitrum, the next largest deployment, borrow rates have mirrored this decrease in recent days. The moving average of USDT, USDC, and DAI stands below 12.50%, indicating that it would be optimal for Aave to reduce Slope 1. GHO's borrow rate MA is currently at 12.57%.

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Utilization rates on Arbitrum have also decreased, with USDC declining the most, followed by USDT.

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## Specification

Protocol

Instance

Asset

Current Slope1

Recommended Slope1

Aave V3

Arbitrum

DAI

12.50%

12.00%

Aave V3

Arbitrum

USDC.e

13.50%

13.00%

Aave V3

Arbitrum

USDT

12.50%

12.00%

Aave V3

Arbitrum

LUSD

12.50%

12.00%

Aave V3

Arbitrum

USDC

12.50%

12.00%

Aave V3

Arbitrum

FRAX

12.50%

12.00%

Aave V3

Arbitrum

GHO	
12.50%	
12.00%	
Aave V3	
Optimism	
DAI	
12.50%	
12.00%	
Aave V3	
Optimism	
USDC.e	
13.50%	
13.00%	
Aave V3	
Optimism	
USDT	
12.50%	
12.00%	
Aave V3	
Optimism	
sUSD	
12.50%	
12.00%	
Aave V3	
Optimism	
LUSD	
12.50%	
12.00%	
Aave V3	
Optimism	
USDC	
12.50%	
12.00%	
Aave V3	
Polygon	
DAI	
12.50%	

12.00%

Aave V3

Polygon

USDC.e

13.50%

13.00%

Aave V3

Polygon

USDT

12.50%

12.00%

Aave V3

Polygon

EURS

12.50%

12.00%

Aave V3

Polygon

USDC

12.50%

12.00%

Aave V3

Ethereum Core

USDC

12.50%

12.00%

Aave V3

Ethereum Core

DAI

12.50%

12.00%

Aave V3

Ethereum Core

USDT

12.50%

12.00%

Aave V3

Ethereum Core

LUSD

12.50%

12.00%

Aave V3

Ethereum Core

FRAX

12.50%

12.00%

Aave V3

Ethereum Core

crvUSD

12.50%

12.00%

Aave V3

Ethereum Core

PYUSD

12.50%

12.00%

Aave V3

Ethereum Core

USDe

12.50%

12.00%

Aave V3

Ethereum Prime

USDS

11.75%

11.25%

Aave V3

Ethereum Prime

USDC

12.50%

12.00%

Aave V3

Ethereum Prime

GHO

3.00%

2.50%

Aave V3

Ethereum EtherFi

USDC

12.50%

12.00%

Aave V3

Ethereum EtherFi

FRAX

12.50%

12.00%

Aave V3

Base

USDbC

13.50%

13.00%

Aave V3

Base

USDC

12.50%

12.00%

Aave V3

Metis

m.DAI

12.50%

12.00%

Aave V3

Metis

m.USDC

12.50%

12.00%

Aave V3

Metis

m.USDT

12.50%

12.00%

Aave V3  
Avalanche  
DAI.e  
12.50%  
12.00%  
Aave V3  
Avalanche  
USDC  
12.50%  
12.00%  
Aave V3  
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USDt  
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Aave V3  
Avalanche  
FRAX  
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Aave V3  
Avalanche  
AUSD  
5.50%  
-  
Aave V3  
Gnosis  
USDC  
12.50%  
12.00%  
Aave V3  
Gnosis  
WXDAI  
12.50%  
12.00%  
Aave V3  
Gnosis

EUR

12.50%

12.00%

Aave V3

Gnosis

USDC.e

13.50%

13.00%

Aave V3

BNB

USDC

12.50%

12.00%

Aave V3

BNB

USDT

12.50%

12.00%

Aave V3

BNB

FDUSD

12.50%

12.00%

Aave V3

Scroll

USDC

12.50%

12.00%

Aave V3

ZkSync

USDC

12.50%

12.00%

Aave V3

ZkSync

USDT

12.50%



12.00%

## Next Steps

We will move forward and implement these updates via the Risk Steward process.

## Disclosure

Chaos Labs has not been compensated by any third party for publishing this ARFC.

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