I was wondering about this aspect of the security of Aave, the protocol has matured a lot and there are now efficient liquidators ready to slash any too uncautious mind. But the protocol should also protect the users and of course avoid slashing anyone if the system stability isn't compromised.

So I would like to talk about $MATIC and $AAVE having both 50% borrow capacity and 65% Liquidation threshold.

I completely understand the 50% because of volatility of these assets and being overexposed to those as collateral could be harmful. However I like 65% is pretty few.

Having like $AAVE $MATIC and $ETH in equivalent proportion brings the overall liquidation threshold to 0.71 and the borrow capacity to 0.6.

Even being cautious and borrowing to 0.4 of borrowing capacity, if the price of the assets goes down half, that would bring the account to 0.8 and triggering the threshold.

And this is considering having $ETH with 82.5% of liquidation threshold which brings stability here. Having just these two honorables assets would trigger the liquidation with a 39% drop of the price of these assets.

But such events do not happen in a second on these assets, and many bots have had enough time to take care of the liquidations and arbitrages of even more uncautious users, renforcing the stability and safety of the Aave protocol along the way.

So while I understand the limited borrowing capacity for such assets, I don't really get why 70 or 75% liquidation threshold shouldn't be considered. That could bring more opportunity to be confident in using Aave liquidities to explore interesting opportunities Polygon ecosystem offers.

At 70% of LT for $AAVE and $MATIC that would bring the overal LT to 75% protecting against 46.7% drop, which is way better to protect just getting caught by the dip.

At 75% of LT it is 77% overall LT, and protects against 49% drop, which is very good.

Managing these kind of positions could be at risk for an unaware user, while the security of the protocol doesn't seem so compromised in the case of a small increase of some LT, like $WBTC $AAVE or $MATIC. And that would give users more time to realize positions could be at risks, while adding no structural risk to end up over-collateralized on these assets because of the low Borrowing Capacity.

The rates can be checked at Polygon Market - Risk.

Please let me know your thoughts