

DPI - Aave Risk Assessment

Smart Contract Risk		Counterparty Risk			Market Risk			Overall Risk
Days	Transactions	Holders	Permissions		Market Cap		Average Volume	Normalised Volatility
220	111,094	12,055	Permissionless		\$185,274,833		\$7,188,843	5.75%
Maturity		Centralisation	Trust	Diversified Average	Market Cap	Liquidity	Volatility	Diversified Average
C-		C+	C	C	B-	B	B-	B-

The DeFi Pulse Index (DPI) is an index product managed by Index Coop. At the time of writing there are 324,355 DPI in circulation. DPI was audited by [OpenZeppelin](#) in September of 2020, launched early October 2020, and has over 111,000 user transactions.

[DPI Smart Contract Risk:](#) C-

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DPI Counterparty Risk: C

DPI is a product whereby holders of DPI have no metagovernance influence on Index Coop or the protocol within the index. DPI trades on the ethereum network and inherits the trust of the network much like USDC. DPI has over 12,055 holders and the DPI-ETH pool is Uniswap's 17th largest at \$90M. Anyone can Mint, Trade and Redeem DPI.

The DPI utilises TokenSets V2 smart contract has been audited by Open Zeppelin audit [September 4th, 2020] which identified privilege roles in many of the contracts. The key findings are highlighted below:

- The Controller contract has an owner that chooses the contracts that comprise the system. This includes all of the modules, resources and the factories that can be used to make Sets.
- The IntegrationRegistry tracks third party integrations that can be used in the system. It also has an owner that can add, remove and edit the integrations as desired.
- The PriceOracle has a list of oracles and adapters that can be used to retrieve third party prices. It also has an owner role that can choose the supported oracles, adapters and price pairs.

DPI Market Risk: B-

DPI's price tracks the Net Asset Value of the underlying assets, by holding a basket of protocol tokens the volatility of a single asset is dampened. This is reflected by DPI having a standard deviation of 5.75% since inception compared to ETH and AAVE which has a standard deviation of 5.03% and 7.79% respectively over the same time period (03/10/2021 to 01/05/2021). When considering liquidity, the average daily trading volume is \$7.19M, based on over a trailing 90 day trading period. However, DPI holders have the option to mint/redeem the underlying tokens within DPI which draws on the liquidity of the underlying assets and also allows for any deviation from NAV to be arbitrated away by traders.

30 Day Average Daily Volume:	\$7.19M
90 Day Average Daily Volume:	\$7.19M
1 week Normalised Volatility:	0.05379
1 month Normalised Volatility:	0.05535
3 month Normalised Volatility:	0.05035
6 month Normalised Volatility:	0.05812
1 year Normalised Volatility:	0.05845

Risk Parameters:

LTV	60%
Liquidation Threshold	70%
Liquidation Bonus	10%
Reserve Factor	20%

UOptimal 50%

R_0 0%

R_s1 7%

R_s2 200