

# Risk Parameter Updates for DAI, BAT, ZRX, and ETH

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- ID: 71
- Proposer: [0x683a4F9915D6216f73d6Df50151725036bD26C02](#)
- Start Block: 13660876 (11/21/2021, 5:43:02 PM ET)
- End Block: 13680586 (11/24/2021, 8:21:45 PM ET)
- Targets: [0x3d9819210A31b4961b30EF54bE2aED79B9c9Cd3B](#) ;  
[0x3d9819210A31b4961b30EF54bE2aED79B9c9Cd3B](#) ;  
[0x3d9819210A31b4961b30EF54bE2aED79B9c9Cd3B](#) ;  
[0x3d9819210A31b4961b30EF54bE2aED79B9c9Cd3B](#)

## Forum Post

Forum post is present here: [Forum Post](#)

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## Proposal Text

### ***Risk Parameter Updates for DAI, BAT, ZRX, and ETH***

#### ***Simple Summary***

A proposal to adjust four (4) total parameters across four (4) Compound assets.

#### ***Background***

This proposal is a batch update of risk parameters to align with the [Moderate risk level](#) chosen by the Compound community. These parameter updates are the third of Gauntlet's regular parameter recommendations as part of [Dynamic Risk Parameters](#).

[Full proposal and forum discussion](#)

#### ***Motivation and Specification***

This set of parameter updates seeks to level set assets to a Moderate risk level of the protocol while making risk trade-offs between specific assets. Note that some are different from the original [risk level consensus check](#) as market conditions have changed.

In order to react to changing market conditions, our analysis recommends decreasing the collateral factors for BAT and ZRX while increasing collateral factors for ETH and DAI. Both BAT and ZRX have increased in volatility and decreased in volume since our last parameter changes. As shown on our dashboard, these changes will slightly increase VaR, but the corresponding increase in borrow usage is substantial.

Parameter	Current Value	Recommended Value
DAI Collateral Factor	75%	80%
BAT Collateral Factor	65%	60%
ZRX Collateral Factor	65%	60%
ETH Collateral Factor	75%	80%

## ***Dashboard***

Gauntlet has launched the [Compound Risk Dashboard](#). The community should use the Dashboard to better understand the updated parameter suggestions and general market risk in Compound.

As shown below, this set of parameter updates will slightly increase VaR, but meaningfully increase borrow usage.

## Value At Risk

Value at Risk conveys capital at risk due to insolvencies and liquidations when markets are under duress (i.e. Black Thursday). This breaks down the current VaR\* in the system by collateral type. This number may increase after Gauntlet Recommendations when there is an opportunity to increase Capital Efficiency.

\*Assumes peak volatility in the past year and with 95% probability.



## Borrow Usage

This metric provides information about how aggressively suppliers of collateral borrow against their supply. Borrow Usage is a measure of capital efficiency, and is balanced against VaR. This means it may increase, decrease, or stay the same after Gauntlet Recommendations, to ensure the optimal balance of capital efficiency and risk. More details on the computation of this metric can be found [here](#). Note that the optimal borrow usage is not 100%.



## Collateral Risk

This section gives a deep dive into the risk for each collateral type in Compound. You can click on each row in the table to see more metrics and all the Gauntlet Parameter Recommendations for each collateral type.

Collateral	Volatility	Borrow Usage	VaR	Collateral Safety
DAI	5%	81.02%	\$60.16M	High
USDC	4%	54.28%	\$51.42M	Med
ETH	65%	47.55%	\$0	High
WBTC	59%	47.10%	\$0	Med

## Checks

### Checks Compound Proposal Details Passed

Info:

- 1- Set [cZRX](#) collateral factor from 30% to 60% (It's getting **increased** by **30%**)
- 2- Set [cBAT](#) collateral factor from 45% to 60% (It's getting **increased** by **15%**)
- 3- Set [cDAI](#) collateral factor from 83.5% to 80% (It's getting **decreased** by **3.5%**)
- 4- Set [cETH](#) collateral factor from 82.5% to 80% (It's getting **decreased** by **2.5%**)