Risk Parameter Updates for ETH

Updated as of block [19333603](#) at 2/29/2024, 8:55:35 AM ET

- ID: 81
- Proposer: `0x683a4F9915D6216f73d6Df50151725036bD26C02`
- Start Block: 13994989 (1/12/2022, 11:18:04 PM ET)
- End Block: 14014699 (1/16/2022, 12:50:16 AM ET)
- Targets: `0x3d9819210A31b4961b30EF54bE2aeD79B9c9Cd3B`

Forum Post

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

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Proposal Text

Risk Parameter Updates for ETH

Simple Summary

A proposal to adjust one (1) parameter for one (1) Compound asset.

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 sixth 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.

| Parameter	Current Value	Recommended Value
ETH Collateral Factor	80%	82.5%

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 on our dashboard, these changes will increase Value at Risk by $130.9M (10.9%) and increase the borrow usage by 5 basis points. We would emphasize that all the VaR is projected to be liquidations that can be safely absorbed by the market.

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.

$1198.80M — with G recommendations → $1329.72M
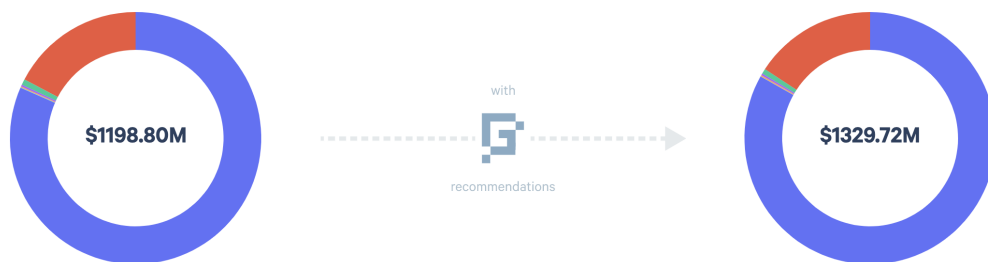
Borrow Usage

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%.

Borrow Usage
53.61%

with G recommendations →

Borrow Usage
53.66%

Checks

Checks Compound Proposal Details ✅ Passed

Info:

1- Set [cETH](#) collateral factor from 82.5% to 82.5% (It remains the same)