

# Risk Parameter Updates for WBTC, BAT, and LINK

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- ID: 74
- Proposer: [0x683a4F9915D6216f73d6Df50151725036bD26C02](#)
- Start Block: 13800989 (12/13/2021, 10:45:05 PM ET)
- End Block: 13820699 (12/17/2021, 12:18:22 AM ET)
- Targets: [0x3d9819210A31b4961b30EF54bE2aED79B9c9Cd3B](#) ;  
[0x3d9819210A31b4961b30EF54bE2aED79B9c9Cd3B](#) ;  
[0x3d9819210A31b4961b30EF54bE2aED79B9c9Cd3B](#)

## Forum Post

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

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## Proposal Text

### ***Risk Parameter Updates for WBTC, BAT, and LINK***

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

A proposal to adjust three (3) total parameters across three (3) 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 fifth 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
WBTC2 Collateral Factor	65%	70%
BAT Collateral Factor	60%	65%
LINK Collateral Factor	65%	70%

## 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, VaR has increased considerably since our last recommendations, up to over \$1B. This is mostly due to increased market volatility and lower collateralization ratios amongst the top borrowers. We note however that all the VaR is projected to be liquidations that can be safely absorbed by the market. This new set of parameter updates will slightly increase VaR, but meaningfully increase borrow usage and long-term reserves.

### 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%.



## Checks

### Checks Compound Proposal Details ✔ Passed

Info:

- 1- ⚠ Set [cBAT](#) collateral factor from 45% to 65% (It's getting **increased** by **20%**)

2- ⚠️ Set [cLINK](#) collateral factor from 44% to 70% (It's getting **increased** by **26%**)

3- Set [cWBTC](#) collateral factor from 70% to 70% (It remains the same)