Risk Parameter Updates for 5 Collateral Assets

Updated as of block [19341219](#) at 3/1/2024, 10:28:23 AM ET

- ID: 141
- Proposer: `0x683a4F9915D6216f73d6Df50151725036bD26C02`
- Start Block: 16285230 (12/28/2022, 2:05:35 PM ET)
- End Block: 16304940 (12/31/2022, 8:07:11 AM 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 5 Collateral Assets

Simple Summary

A proposal to adjust five (5) risk parameters (collateral factor & borrow cap) across five (5) Compound V2 assets.

The community has aligned on a [risk off framework](#).

Background

Gauntlet's simulation engine has ingested the latest market and liquidity data. These recommendations are Gauntlet's regular parameter recommendations as part of [Dynamic Risk Parameters](#) and align with the [Moderate risk level](#) chosen by the Compound community.

[Full proposal and forum discussion](#)

Specification

Parameter	Current Value	Recommended Value
BAT Collateral Factor	65%	62%
COMP Collateral Factor	65%	62%
SUSHI Collateral Factor	70%	67%
LINK Borrow Cap	45,000	125,000
UNI Borrow Cap	550,000	700,000

The CF decreases result in ~$1.4k in supply of projected risk-off liquidations in dust accounts. We will continue to run liquidation analyses throughout the proposal to measure whether the CF decreases will result in any risk-off liquidations.

|Accounts At Risk for Liquidation|

0X19F91BC93551F09DAF556258CBF335EB0AB7C709 0X2565F8E0B33F2D3BB1C0E2DD5FBB972DF48654C8 0X46BA9970E469A212084527AEB321C3F3ED53D9BE 0X46CDB38A6EB7C1C42A452A4C107EBD79BCB2A7AF 0X70D8E4AB175DFE0EAB4E9A7F33E0A2D19F44001E 0XA8672C3CEF0DCE305102F20AC820C921C91FF7E2 0XB92BC5A49D57F43A7DA0728BBFCB649EB839067E 0XBB3F49E5FDC0FDCE8A3E97C563C7C6E9188FC0A4 0XDEF1138F24960F1B048BB2EC16D9E3F5EC9735C2 0XFB5CAAE76AF8D3CE730F3D62C6442744853D43EF

Dashboard

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

*Value at Risk represents the 95th percentile **insolvency value** that occurs from simulations we run over a range of volatilities to approximate a tail event.*

*Liquidations at Risk represents the 95th percentile **liquidation volume** that occurs from simulations we run over a range of volatilities to approximate a tail event.*

Value At Risk

Value at Risk conveys the capital potentially at risk due to insolvencies when markets are under duress (i.e. high volatility). The below metric is the 95th percentile insolvency value that occurs from simulations we run over a range of volatilities to approximate a tail event. While we aim to keep this number low, it may increase after Gauntlet Recommendations when there is an opportunity to increase Capital Efficiency (as measured by Borrow Usage). **Note that VaR is sensitive to model inputs and can change day to day.** This is due to changes in volatility, user borrow positions, asset correlation structure, and the nature of the statistic (being a long tail approximation). See this post for more detail on the metric.

$474.12K with recommendations → $163.80K

Liquidations At Risk

Liquidations at Risk conveys the amount of capital potentially at risk for liquidation when markets are under duress (i.e. high volatility). This metric (similar to VaR) is the 95th percentile liquidation volume that occurs from simulations we run over a range of volatilities to approximate a tail event. We note that while liquidations can affect borrower UX, **healthy liquidations are a critical part of a capitally efficient protocol.** The below numbers may seem large, however, this is meant to capture a 'catastrophic' tail scenario where many liquidations must occur in order to ensure the ongoing operation of the protocol. See this post for more detail on the metric.

$103.07M with recommendations → $102.63M
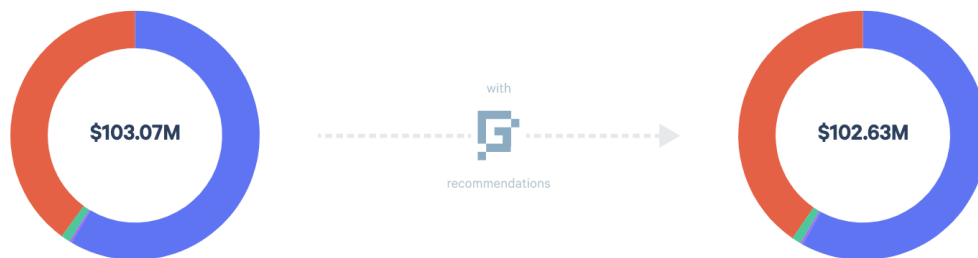
Borrow Usage

This metric provides information about how aggressively suppliers of collateral borrow against their supply. This is a measure of capital efficiency and gives a sense of how borrows behave relative to supply. More details on the computation of this metric can be found here. All else being equal, we seek to maximize Borrow Usage

Borrow Usage
36.96%

with recommendations →

Borrow Usage
36.87%

By approving this proposal, you agree that any services provided by Gauntlet shall be governed by the terms of service available at gauntlet.network/tos.

Checks

Checks Compound Proposal Details ✅ Passed

Info:

1- Set MarketBorrowCaps of cLINK via Comptroller from 125,000 to 125,000 (It remains the same) .

Set MarketBorrowCaps of cUNI via Comptroller from 700,000 to 700,000 (It remains the same) .

2- ⚠️ Set [cBAT](#) collateral factor from 45% to 62% (It's getting **increased** by **17%**)

3- 🔴 Set [cCOMP](#) collateral factor from 25% to 62% (It's getting **increased** by **37%**)

4- 🔴 Set [cSUSHI](#) collateral factor from 32% to 67% (It's getting **increased** by **35%**)