

Title: Risk Management Engagement Between Anthias and Spark

Author(s): Anthias.xyz Team

Submission Date: September 11, 2023

Past Anthias Work for Spark/Relevant Discussions: [Anthias x Spark Risk Management Tooling Integration](#)

[

anthias-spark

2077×1215 840 KB

](//makerdao-forum-backup.s3.dualstack.us-east-1.amazonaws.com/original/3X/b/e/be7965fcf9ca6144274b43fa1760d0951ea6f60f.jpeg)

Proposal Overview

Simple Summary

This proposal is to onboard Anthias with Spark in order to begin a risk management relationship to help further secure Spark and its users. The proposal will walk through the Anthias team, Anthias's unique value proposition, who we have worked with in the past, and how we plan to make Spark the most efficiently risk-managed DeFi lending protocol.

About Anthias + Abstract

Anthias is a project that arose from Dartmouth Blockchain. Our philosophy is to continually provide value to the blockchain ecosystem through shipping useful products and research. We have extensive experience in DeFi: Anthias team members have previously worked at Primitive Finance, Yeti Finance, Temple DAO, and more before coming together to start Anthias.

We have shipped multiple grants for [Euler](#) and [Aave](#) and have recently been approved for integrations with Compound V2 and V3, Exactly Protocol, and more lending protocols.

Anthias Values + Why Anthias?

We created Anthias to democratize liquidation health data of all wallets, so all users are able to manage liquidation risk more effectively. From this, we have taken on the mission of making risk management simple and usable by all DeFi users in order to make DeFi safer for this next bull run than it has ever been before. It is because of this that we are deciding after discussion with the community to offer our risk management service via our tooling to Spark. More on our specific parameter offerings later in this proposal.

Previous Dev Work Showcase / Who Supports Anthias?

Our team at Anthias has developed risk management software for some of the biggest borrowing/lending protocols in DeFi. Here are some of the protocols that support Anthias:

- Aave
- We created our initial dashboard in June of 2022 to monitor liquidation health on Aave after the Terra/Luna collapse.
- We completed our first grant for Aave in October of 2022. In this grant, we expanded our initial Aave dashboard to allow users to view historical liquidation health data in order to develop an even clearer picture around market risk.
- We created our initial dashboard in June of 2022 to monitor liquidation health on Aave after the Terra/Luna collapse.
- We completed our first grant for Aave in October of 2022. In this grant, we expanded our initial Aave dashboard to allow users to view historical liquidation health data in order to develop an even clearer picture around market risk.
- Euler (pre-hack)
- We completed our first grant for Euler in September of 2022. This grant was to integrate our initial liquidation health dashboard with Euler.
- Our second Euler grant was completed in January of 2023. With this grant, we expanded our tool suite for Euler to do Value at Risk monitoring and simulations, in-depth asset and health score filtering, and a more granular wallet view to show covariance among assets individual users were borrowing and supplying.
- Our second Euler grant was completed in January of 2023. With this grant, we expanded our tool suite for Euler to do Value at Risk monitoring and simulations, in-depth asset and health score filtering, and a more granular wallet view to

show covariance among assets individual users were borrowing and supplying.

- We completed our first grant for Euler in September of 2022. This grant was to integrate our initial liquidation health dashboard with Euler.
- Our second Euler grant was completed in January of 2023. With this grant, we expanded our tool suite for Euler to do Value at Risk monitoring and simulations, in-depth asset and health score filtering, and a more granular wallet view to show covariance among assets individual users were borrowing and supplying.
- Our second Euler grant was completed in January of 2023. With this grant, we expanded our tool suite for Euler to do Value at Risk monitoring and simulations, in-depth asset and health score filtering, and a more granular wallet view to show covariance among assets individual users were borrowing and supplying.
- Compound V2 + V3
- We were approved for our first integration with Compound V2 and V3 in March of 2023. This grant is to integrate our initial liquidation health dashboard with both Compound V2 and V3.
- We were approved for our first integration with Compound V2 and V3 in March of 2023. This grant is to integrate our initial liquidation health dashboard with both Compound V2 and V3.
- Exactly
- We were approved for our first integration with Exactly Protocol in February of 2023. This grant is to integrate our initial liquidation health dashboard with Exactly on both Ethereum and Optimism.
- We were approved for our first integration with Exactly Protocol in February of 2023. This grant is to integrate our initial liquidation health dashboard with Exactly on both Ethereum and Optimism.
- UwU Lend
- We received our first grant from the UwU Lend community in May of 2023. With this grant, we integrated UwU with both our Table and Graph View, so that all UwU users can more granularly see specific health data on all UwU positions.
- We received our first grant from the UwU Lend community in May of 2023. With this grant, we integrated UwU with both our Table and Graph View, so that all UwU users can more granularly see specific health data on all UwU positions.

Previous Governance Work Showcase

We have been working in the governance space in conjunction with our work on the data analytics side as the two go hand in hand: proper data must inform proper decision making to effectively maximize protocol/user revenue and minimize protocol/user risk. Here is some of our past governance work for a variety of protocols:

Governance Forum Posts:

- Morpho
- [Anthias.xyz Delegate Introduction - Morpho Governance Forum](#)
- [Anthias.xyz Delegate Introduction - Morpho Governance Forum](#)
- Frax
- [Potential adjustment to Supply APY/Supply APY Calculation for sfrxETH/FRAX pair on Fraxlend V3 - General Discussion - Frax Finance Governance](#)
- [\[PRE-FIP\] Adding TUSD Market to Fraxlend - Fraxlend - Frax Finance Governance](#)
- [Potential adjustment to Supply APY/Supply APY Calculation for sfrxETH/FRAX pair on Fraxlend V3 - General Discussion - Frax Finance Governance](#)
- [\[PRE-FIP\] Adding TUSD Market to Fraxlend - Fraxlend - Frax Finance Governance](#)
- Gearbox
- [\[PRE-GIP\] Decrease Supply Cap for wstETH Pool on Gearbox - Main & Discussions - Gearbox Governance](#)
- [\[PRE-GIP\] Anthias.xyz x Gearbox Liquidation Health Tooling Grant Proposal - Main & Discussions - Gearbox Governance](#)

- Euler
- [Snapshot](#)
- [Snapshot](#)
- [Snapshot](#)
- [Snapshot](#)
- [Snapshot](#)
- [Snapshot](#)

- Compound
- [Anthias x Compound Grant Proposal Resubmission post-Feedback](#)
- [Anthias x Compound Grant Proposal Resubmission post-Feedback](#)
- Aave Grants
- [Airtable - Approved All](#)
- [Airtable - Approved All](#)

Motivation for Stepping into the Risk Management Space

There are a number of risk vectors in borrowing and lending protocols, including smart contract risk, price oracle manipulation risk, governance / pool management risk, and market risk (liquidations + bad debt). As protocols like Spark continue to onboard more users, it is increasingly important to equip users with necessary risk-management analytics for healthy activity. Safeguarding users against risk ensures the long-term sustainability of the protocol, as well as an improved user experience (competitive differentiation with other borrowing and lending protocols).

Projects like Gauntlet Network and RiskDAO have showcased what is possible with on-chain analytics and risk management for DeFi. It is from these projects and more that we have taken inspiration to continue the mission of decentralized risk management in decentralized finance.

How Anthias Differs from Other Risk Managers

In June of 2023, the Anthias team released the new risk measurement and management methodology we had been working on for nearly six months: the Anthias Liquip Paper. This paper (linked below) outlined a new method for determining the probability of liquidation for users of a borrowing protocol. This is one of, if not the most important factors to optimize for when assessing risk for a borrowing protocol. If everyone is liquidated, there will be no protocol left and likely an insurmountable amount of bad debt for the protocol. It is because of this that we will use our unique wallet liquidation probability methodology to make sure that any parameter change puts the user first, as the users make up the protocol's health.

For more information on the Anthias Liquip Score and Days Until Liquidation metric to be implemented here, please view our methodology here: <https://www.anthias.xyz/liquip.pdf>

Other Parameters Anthias Will Monitor on a Daily Basis

Along with focusing on individual borrower health, we will help the DAO optimize the following parameters for each asset:

- Supply Cap (if necessary)
- Borrow Cap (if necessary)
- Collateral Factor
- Borrow Factor
- Interest Rate Kink
- LTV

Why Maker Should Engage with Anthias and Block Analitica

We see two primary reasons why the Maker community should engage with both Anthias and Block Analitica and not just one of the two.

1. Differences in offerings: As written about in the previous section, our focus will be centered around the Anthias Liquip Score: we will seek to optimize parameters and make users knowledgeable of risk in order to minimize bad debt on the protocol and maximize protocol revenue.
2. Decentralization of Risk Management: As Maker DAO is one of, if not the, most decentralized communities in DeFi, it is our belief that risk management should not be handled by one centralized party. Other DAOs including Aave, Compound, and Moonwell have begun to take a decentralized approach to risk management and engage with multiple parties. Spark will benefit from this approach at a nascent stage.

How exactly will Anthias engage with Spark + What does a successful engagement look like?

Anthias will interact with the community primarily via the Spark/Maker forum with updates via risk assessments posted to the Spark forum on a bi-weekly basis, unless changes are noted that must be implemented immediately in order to protect users. Aside from the forum, the Anthias team will also be accessible in the Maker Discord for more informal discussions as well as via community calls that the DAO can schedule in order to speak directly with the team. These community calls can be done on either Discord or Twitter Spaces.

A successful engagement between Anthias and Spark will involve an increase in the aggregate health score of Spark on a quarterly basis (accounting for market circumstances, etc.) as well as an increase in protocol revenue while working with Anthias. These two data points are easy to measure, so there is no ambiguity.

Budget + Trial

For this ongoing risk management engagement with Spark, we are requesting \$30k per quarter. However, we will offer the first quarter once for free

starting from once this proposal is approved by the community. This will serve as a trial run for the engagement. If the DAO is not fully satisfied with our services after the first quarter of the engagement, the DAO can vote to end the engagement with no need to pay Anthias for that quarter.

We realize that \$30k per quarter is much less than the going quarterly rate of \$65k-\$100k+ for other risk managers. We have decided on this rate because we do not think risk management should be something reserved for only the biggest protocols, and it should not be something that “breaks the bank” or that communities even need to hesitate approving. This \$30k per quarter rate will be enough to satisfy our team’s time needs.

The \$30k per quarter will be used for the following:

- Development of new risk features from Spark community requests as well as new needs on our end for assessing position risk and market health for Spark.
- Bi-Weekly risk reports generated by the Anthias team in order to inform the Spark community of any necessary changes to risk parameters as well as provide an update on market health.
- Ad-hoc reporting via the Maker forum of any immediately necessary changes that our teams sees—reserved for changes that are recommended outside of the usual bi-weekly schedule.
- Twitter Space discussions + Discord AMAs to gather new feature requests and share updates with the community in a manner other than the Maker forum as some community members will prefer this.

Conclusion

This is a proposal for an ongoing risk management engagement between Anthias and Spark. If approved, there will be a first quarter free to allow for a trial period. We believe that the democratization of risk management will make DeFi safer for this next bull run and hopefully propel the entire space to greater heights. If you have any questions about this proposal, please feel free to reach out to @0xBroze

in the Maker Discord or @OxBroze

on Telegram.