Given the recent market development, where BTC has reached ATH in various different fiat currencies and fastly approaching BTCUSD ATH, there is a high potential for market euphoria which can result in high debt minting demand and consequent pressure on Stablecoin reserves and DAI peg.

In order to combat this potential effect, some specific out-of-schedule alterations to the Stability Scope language are required which will set Maker in a position where timely reaction is possible in terms of altering specific parameters without declaring an emergency where the rate system would become managed out of Scope language entirely. This is an exceptional and fastened process of altering the MIP104 Stability Scope Language, which would instead need to go through a monthly governance cycle.

The following changes to the language of the MIP104: Stability Scope are preferably to be proposed and polled in the first available weekly governance cycle by the acting Governance Facilitators of MakerDAO with the authority defined in MIP113 12.1.2.

Change #1:

Alteration to the Cash Stablecoin Minimum Requirements

MIP104 Stability Scope Element 7.2.1.2: Cash Stablecoin Market Making Requirements

The change will (i) increase the minimum requirement and introduce limits for management (ii) introduce meta-parameters which can be altered via weekly governance cycle and thus allow for faster reaction times without the need of declaring emergency.

Existing Language

MakerDAO must maintain a reserve of at least 18% of the total Dai Supply held as Cash Stablecoins, or assets and exposure that can rapidly be converted to Cash Stablecoins.

New Language

MakerDAO must target the Target Cash Stablecoin Reserves

while the Cash Stablecoin Lower Bound

acts as a limit, when arrangers defined in 5.1.1.1A must return the ratio to the target balance and Cash Stablecoin Upper Bound

acts as a limit, when arrangers can redeploy into their respective structures. All of the mentioned meta-parameters in this element reference the percentage threshold of Cash Stablecoins relative to total Dai Supply and can be altered by the Stability Facilitators via the weekly governance cycle.

7.2.1.2.1A

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The Target Cash Stablecoin Reserves

is 25% of total Dai Supply

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7.2.1.2.2A

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The Cash Stablecoin Lower Bound

is 20% of total Dai Supply

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7.2.1.2.3A

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The Cash Stablecoin Upper Bound

is 30% of total Dai Supply

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Change #2:

Alteration to the Enhanced Dai Saving Rate Language

This change will alter the EDSR Upper Limit into a meta-parameter, meaning that it can be changed via the weekly governance cycle. Additionally, the proposal also slightly increases the EDSR Upper Limit.

For context, other EDSR meta-parameters defined in 3.2.2.2: EDSR Utilization-Based Multipliers already define the ability for the Stability Facilitator to propose alteration via the weekly governance cycle.

MIP104 Stability Scope Element 3.2.2.1: EDSR Upper Limit

Existing Language

The EDSR cannot exceed 5%. If the EDSR formula outputs a number above 5%, the actual effective EDSR implemented in the protocol will be 5% instead.

New Language

3.2.2.1: EDSR Upper Limit

The EDSR Upper Limit acts as an effective limit to the EDSR, meaning that it can not exceed it even if the formula outputs a number above the limit. The EDSR Upper Limit can be altered by the Stability Facilitators via the weekly governance cycle.

3.2.2.1.1A

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EDSR Upper Limit is: 5.25%

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Change #3:

Change the WBTC Vault Types Initial Rate Language in the SF Formula

Adds language to a Initial Rate paragraph in the element which states that Non-Native Vault Types (WBTC) should use EDSR instead of Yield Collateral Benchmark Yield for the Initial Rate in the SF formula in the case where the Yield Benchmark is lower than the EDSR to ensure proper risk compensation on WBTC vault types in such instances.

MIP104 Stability Scope Element 14.3.1.3: Stability Fee (SF)

Existing Initial Rate paragraph language

Initial Rate is defined as the rate on top of which additional spreads are layered and is equal to Dai Savings Rate (EDSR while active) for Native Vault types and Yield Collateral Yield Benchmark for Non-Native vault types.

New Language

Initial Rate is defined as the rate on top of which additional spreads are layered and is equal to Dai Savings Rate (EDSR while active) for Native Vault types and Yield Collateral Yield Benchmark for Non-Native vault types. If the Yield Collateral Yield Benchmark is lower than the Dai Savings Rate (EDSR while active), then the Initial Rate in the Stability Fee formula for Non-Native Vault Types is changed from Yield Collateral Yield Benchmark to the Dai Savings Rate (EDSR while active).