

Last Updated: 2023-09-20T00:00:00Z

As work continues to move out of Maker Core, Phoenix Labs proposes continuing the [Multichain Strategy](#) previously put out by PECU.

Phoenix Labs believes that the road to growth is by going where the users are, and that is L2s + other chains. We propose a framework for expanding to other chains compatible with the new AllocatorDAO system.

First, some guiding rules for how we evaluate the prioritization of Spark deployments:

1. Business case.

Blockchain teams should present a strong business case for why Allocators should provide debt capacity to the chain. If there is no product demand on that chain, Allocators will not provide any capacity.

1. Scale.

We are looking for domains that can support decent returns at large scale. This is of the order of hundreds of millions USD at decent yields.

1. Strategic Value.

We are looking for domains that have strong connections with Maker, or have the potential to develop these connections within the domains' ecosystem and community.

1. Security + Safety.

The riskier the venture, the stronger the junior capital requirements will be. To maximize profit we will prioritize those chains considered relatively safe as they will be able to receive larger debt ceilings.

Phased Rollout

A phased rollout strategy is proposed to increase parallelization. Phase 1 is designed to be entirely permissionless with domain teams encouraged to seed liquidity to demonstrate natural user demand.

Phase 1: Permissionless Deploy

Phase 1 is to deploy a fresh instance of Spark Lend on the remote chain in coordination with the developer team of the chain. Admin access will be given to the Spark Executive Proxy on Ethereum to minimize user risk. This requires deploying a governance relay which is outlined below.

In this phase borrow rates will be set manually, and care will be taken to keep them roughly up to date with the rate on Ethereum which follows the DSR exactly.

At least two initial markets need to be added - one of them being DAI. Each market needs a price oracle feed that conforms to the Chainlink Feed Interface (it doesn't necessarily have to be Chainlink as the provider).

It is highly encouraged for the chain creators to seed liquidity via a temporary DAI deposit, yield farming on the DAI market, etc. This simulates the effects from the user's perspective once the Allocator system is in place.

[
image
1438x644 72.6 KB
]([//makerdao-forum-backup.s3.dualstack.us-east-1.amazonaws.com/original/3X/1/d/1d6b15bf9242f4c4ff56b0714fbbeeb479418493.png])

Technical Requirements

The governance relay will be set up to follow the [GitHub - marsfoundation/spark-gov-relay](#) repository. In particular, Domain Teams need to make sure the following contracts are made available using the chain's canonical bridge:

- L2 Executor
- Crosschain Forwarder

In addition, testing infrastructure needs to be added to [GitHub - marsfoundation/xchain-helpers](#), so that proper e2e testing of the governance relay can be performed.

When these are ready, Phoenix Labs will deploy the following:

- Crosschain Forwarder + L2 Executor
- Spark Lend Instance
- Activation (add initial reserves configuration) - Occurs in the next available spell window

Suggested Process for Deploying Spark in a new Domain

1. Interested domain should post in the forum, under the Spark SubDAO category. This post should contain the following information:

Background Information

- Who is the interested party for this new domain application?
- Provide a brief high-level overview of the chain
- Explain the business case of having Spark deployed in the new domain.

Technical Information

- Does your team can work on the cross-chain support for: L2 Executor, Crosschain Forwarder and Message Relay Testing Helpers.
- How long will this take?
- List other technical requirements

Collaterals Information

- What would be the initial proposed collaterals besides DAI. For each collateral please provide:
- List any possible oracle data sources for the proposed collateral.
- What is the market cap for the asset?
- Where does exchange for the asset occur? Provide exchange data on market liquidity, volume and order book depth.
- List any possible oracle data sources for the proposed collateral.
- What is the market cap for the asset?
- Where does exchange for the asset occur? Provide exchange data on market liquidity, volume and order book depth.

Liquidity information

- How are you planning to seed liquidity?
- Phoenix Labs will perform a domain assessment and provide recommendations to the DAO regarding the new domain and the collaterals to include.
- Initially, Spark will only onboard tokens that have been approved by Maker in the past. BlockAnalitica will perform a collateral assessment to provide suggested risk parameters for the collaterals in the new domain.
- Assessments of the domain and collateral will be published in the forum. These assessments will assist MKR holders in their decision to deploy Spark on a new domain.

Phase 2: Spark Bridge Deploy

Phase 2 involves activating the cross-chain Conduit module to allow AllocatorDAOs to deposit and withdraw from the previously deployed Spark Lend instance. Spark Bridge is built to wrap around existing canonical token bridges so that the most liquid version of DAI can be used. Spark Bridge is the spiritual successor to [dss-bridge](#) with details to be defined.

Withdrawals work by the AllocatorDAO requesting a withdrawal (similar to how it works with RWA investments). The request will perform a round-trip on the native bridge to execute the withdrawal. If liquidity is available in the remote Spark Lend instance, the request is fulfilled as fast as the bridge allows. If the DAI market is fully utilized, interest rates will be temporarily raised to free up liquidity. The size of the interest rate increase will depend on both the size of the withdrawal needed and the expediency that the AllocatorDAO requires.

[

image

1454×634 108 KB

](/makerdao-forum-backup.s3.dualstack.us-east-1.amazonaws.com/original/3X/a/4/a400f5ac3deb7f0c6c46cb6ee985bde85a83ed60.jpeg)

Technical Requirements

Spark Bridge needs to include support for the Domain's canonical messaging bridge. Details on this are yet to be defined.

When ready, the bridge will be deployed with admin access given to the Spark Proxy on the Ethereum side and the L2 Executor on the remote chain side.

Notes about Allocation

It is important to note that although the Spark SubDAO can provide the infrastructure to allow cross-chain deposits, this does not mean the domain will be allocated debt ceiling capacity. AllocatorDAOs are built to be competitive, so the yield produced from the L2 Spark Lend instance needs to exceed what they will get elsewhere. Allocation is a zero-sum game.

AllocatorDAOs are normally charged the Base Rate, but Maker offers a discounted rate for decentralized (strategic) collateral which is the focus of the Spark SubDAO. Due to this discount, the borrow rates on Spark Lend should be the lowest possible as they are equal to the DSR.