

[ARFC] Adjusting Interest Rate Curve for weETH on Arbitrum and Base

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Summary

The current proposal suggests adjusting the Interest Rate Curve for weETH on Arbitrum and Base networks to align with the mainnet, so Risk Parameters will be the same for weETH on Mainnet, Arbitrum, and Base networks.

The aim is to optimize the utilization rates and improve both lending and borrowing for users.

Motivation

By adjusting the Interest Rate Curve, we aim to encourage more borrowing and lending activity, optimize the utilization rates, and enhance liquidity on Arbitrum and Base networks.

1. Base Rate Increase:

Increasing the base rate provides a more attractive return for lenders, encouraging more weETH deposits.

1. Slope 1 Adjustment:

Adjusting the Stable Rate Slope offers slightly higher interest for moderate utilization, making borrowing more attractive.

1. Slope 2 Adjustment:

Reducing Stable Rate Slope 2 prevents excessively high borrowing costs at higher utilization rates, thus avoiding sharp declines in borrowing activities.

1. Utilization Rate Optimal:

Raising the optimal utilization rate aims to better match the network's current usage patterns, ensuring a smoother transition between interest rate slopes and maintaining liquidity.

1. Reserve Factor:

weETH borrowers and LP are less sensible to interest rates due to external incentives, to Optimize the DAO revenue the reserve factor is changed.

Specification

Change Arbitrum and Base Risk Parameters for weETH to align with Mainnet.

Proposed Changes:

A

Arbitrum

Base

Parameter

Value

Value

Isolation Mode

No

No

Borrowable

Yes

Yes

Collateral Enabled

Yes

Yes

Supply Cap (weETH)

Borrow Cap (weETH)

Debt Ceiling

-

-

LTV

72.50%

72.50%

LT

75.00%

75.00%

Liquidation Bonus

7.50%

7.50%

Liquidation Protocol Fee

10.00%

10.00%

Variable Base

0.0%

0.0%

Variable Slope1

7.00%

7.00%

Variable Slope2

300.00%

300.00%

Uoptimal

35.00%

35.00%

Reserve Factor

45.00%

45.00%

Stable Borrowing

Disabled

Disabled

Flashloanable

Yes

Yes

Siloed Borrowing

No

No

Borrowed in Isolation

No

No

E-Mode Category

ETH-correlated

ETH-correlated

Disclaimer

The ACI is not presenting this ARFC on behalf of any third party and is not compensated for creating this ARFC.

Next Steps

1. If consensus is reached on this [ARFC], escalate this proposal to the Snapshot stage.
2. If the ARFC snapshot outcome is YAE, publish an AIP vote for final confirmation and enforcement of the proposal.

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