

Summary

Phoenix Labs proposes the following changes to SparkLend grouped by individual polls:

1. [Ethereum] Increase WBTC Supply Cap
2. [Ethereum] Upgrade DAI/USDC/USDT IRMs
3. [Ethereum] Update USDC/USDT markets to use a fixed price oracle of \$1

Rational

[Ethereum] Increase WBTC Supply Cap

WBTC has hit the supply cap, and it's clear there is more demand for leverage with WBTC. Phoenix Labs will leave it to the risk team to determine the appropriate level of increase (if any).

[Ethereum] Upgrade DAI/USDC/USDT IRMs

The DAI market Interest Rate Model (IRM) has accumulated some technical debt with features that were originally expected to be used, but no longer necessary. Having overly complex code can lead to configuration errors, so Phoenix Labs has reduced the IRM to the most simple form which tracks the DSR + a hardcoded spread. The DAI market IRM needs to be updated anyways for the [new rates system](#) which will be going live in the next spell.

USDC/USDT IRMs are currently hardcoded with an assumption that the DSR is 5% placing the optimal borrow rate slightly below. With these new IRMs the DSR will be read directly and the kink dynamically adjusted to optimize borrow. This matters less right now as the DSR has been 5% for a few months, but we recommend preparing automation behaviour for when this is no longer the case.

[Ethereum] Update USDC/USDT markets to use a fixed price oracle of \$1

After consultation with Block Analitica, both teams have agreed that a fixed price of \$1 for USDC/USDT markets makes sense. Ignoring upside swings on pegged assets with a functioning primary minting process will improve safety of temporary market displacement and erroneous liquidations. On the downside, this will prevent further exacerbation of peg issues as the market will not allow speculating on temporary depegs with leverage.

Code for Changes: [marsfoundation/sparklend-advanced](https://github.com/marsfoundation/sparklend-advanced)