

Summary

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

1. [Ethereum] Activate SparkLend Freezer Mom.
2. [Ethereum] Replace DAI oracle with one that is hardcoded to \$1.
3. [Ethereum] Update the wstETH oracle to assume a 1:1 stETH:ETH peg.
4. [Ethereum] Freeze GNO and set LTV to 0.
5. [Ethereum] Activate Lido Rewards Program.
6. [Ethereum] Increase Spark D3M Max Debt Ceiling to 1.2b.

Rational

[Ethereum] Activate SparkLend Freezer Mom

The Freezer Mom allows Maker governance to bypass the 2-day GSM window to freeze or pause any markets in SparkLend. This standard Mom contract requires the hat to be present on a spell that calls into the contract.

These new tools will allow Maker Governance to react faster in an emergency. Freezing markets does not allow for new supplies or borrows, while pause restricts all market functionality including deposits/withdraws/borrows/repays and liquidations. The Freezer Mom allows both freezing/pausing and undoing both of those on any market.

[Ethereum] Replace DAI oracle with one that is hardcoded to \$1

Hardcoding the DAI oracle prevents excessive borrows during temporary depeg events. SparkLend is becoming a core lending operation within Maker, so creating special rules for the DAI market is recommended. This is no different than Maker Core vaults which treat DAI as \$1.

[Ethereum] Update the wstETH oracle to assume a 1:1 stETH:ETH peg

wstETH has become an existentially large collateral inside the Maker ecosystem, and SparkLend has a sizable amount of the total supply. A temporary market price divergence could cause cascading liquidations with SparkLend exacerbating the situation due to the e-mode wstETH/ETH positions. The wstETH market should be switched to assume a 1:1 peg for stETH.

[Ethereum] Freeze GNO and set LTV to 0

The Gnosis treasury is no longer using GNO, and due to the high LTV requirements, it is unlikely to be used by regular users. GNO was a good asset to bootstrap the market, but the market can be retired by staying to Spark's mission of focusing on large-scale assets.

The Gnosis collaboration is ongoing with the only other SparkLend instance being present and actively supported on Gnosis Chain. GNO can still be used on Gnosis Chain.

Freezing the market disallows new deposits while setting the LTV to 0 prevents any new borrows against GNO as collateral without liquidating any existing positions.

[Ethereum] Activate Lido Rewards Program

Lido is providing wstETH to be run as a rewards program in Spark. 20 wstETH have been allocated for the month of January. This rewards program will send 100% of the 20 wstETH to ETH market supplies for 30 days starting when the activating spell executes.

Lido will do ongoing analysis to determine whether the program is worthwhile to continue and if so at what size. This will result in an additional yield of approximately +0.15% APR at current supply levels.

Aave V3 codebase is already setup to support multiple token reward programs, and so no additional work is required beyond activating the program via the SubDAO Proxy. Due to the need to adjust the program on the order of once per month it is recommended that a Phoenix Labs-controlled multisig (0x8076807464DaC94Ac8Aa1f7aF31b58F73bD88A27) be added as the admin for this program to avoid the programming starting and stopping due to having to wait on the Maker spell. Rewards program admins have access to configure the rewards program for a specific asset (such as wstETH), but nothing beyond that. It is also recommended for the multisig to store the monthly wstETH balance to be distributed to simplify the administration as much as possible.

[Ethereum] Increase Spark D3M Max Debt Ceiling to 1.2b

The current debt ceiling is 78.5% utilized and with recent leverage activity increasing, Phoenix Labs recommends increasing the max Spark debt ceiling to 1.2b.