

According to the [Stability Scope article 5.3.2: Morpho overcollateralized sUSDe or USDe DDM](#) Stability Facilitator can trigger executive votes that introduce DDM to Morpho Vaults that have overcollateralized exposure to Ethena sUSDe or USDe.

The detailed Ethena & Morpho Blue Protocol Risk Assessment accompanied by argumentation of initial parameters, potential benchmarks for determining maximum tolerable exposure and recommended MetaMorpho market capital allocation can be seen [here](#).

In summary, Maker protocol will deploy Direct Deposit Module (DDM), that will supply dai into [Spark DAI Morpho Vault](#), which will then allocate dai between sUSDe and USDe predetermined markets and their respective supply caps. The Maker protocol will maintain complete control over the parameters of Spark DAI Morpho Vault DDM (DC-IAM, Line, Gap and Ttl) and Morpho Vault supply Caps per market. The vault itself is a new product of Spark, that will be adopted by SparkDAO once it becomes live according to the [MakerDAO Endgame: Launch Season](#).

According to Stability Scope 5.3.2.2, the MetaMorpho vault will be managed via multisig controlled by Governance Facilitators based on instructions by the Stability Facilitator based on advice by the Stability Advisor until SparkDAO is deployed and functional with its own processes regulated by the language of the Stability Scope. The multisig signers can be extended later in time. It is very important to point out that multisig will only be able to allocate capital between the allowed markets that are controlled by their respective supply caps set by Maker governance, the idle market and also controls the total amount of dai being deployed towards markets which is limited by the DDM DC-IAM parameters set by Maker governance. Changes to DDM parameters and MetaMorpho Vault markets and their respective supply caps can only be introduced via Maker executive vote. The potential unwanted outcomes which could be produced by the multisig is thus very limited.

The MetaMorpho Vault will have the performance fee set to 0, meaning that supplier (Maker's DDM) will receive all the accrued fees, the parameter can be reconfigured later in time by the Maker governance. In the future there is a possibility that Morpho would turn on the protocol fee, which is currently disabled.

USDe will use a fixed oracle price set to 1:1 to DAI, while sUSDe will use the Ethena exchange rate based oracle price which is used to calculate interest distribution. This means that user's collateral in USDe will remain at the same value over time while sUSDe collateral will increase in value. While the markets' use of a fixed USDe value will not account for any USDe price discount directly, risks can be mitigated via other parameters like LLTV and vault pool caps. Overcollateralization protects from potential USDe price deviation, meaning that allocation to higher LLTV markets is riskier. Given USDe's relatively low trading volumes and limited exchange support, the use of a market price oracle presents more risk than benefit as it may be subject to manipulation.

The DDM will also be supported by the [Direct Deposit Breaker GSM Exception](#), meaning that Maker governance can pull available liquidity out of the Morpho vault without the GSM delay in case of emergency or other reasons.

The DDM audit report can be seen [here](#).

Additionally, in the case of emergency the multisig can be very useful, as it can allocate all non borrowed liquidity to the idle market, thus preventing further borrowing much faster compared to Direct Deposit Breaker which requires a spell execution.

BA Labs recommends the Stability Facilitator to trigger the deployment of DDM to Spark DAI Morpho Vault, introduce the initial DAI Morpho Vault Markets and their corresponding Caps and propose the initial market dai allocation, which can go directly to the upcoming executive vote according to the language of the Stability Scope article 5.3.2;

Summary:

- DDM DC-IAM Parameters:

- line

: 100 million DAI

- gap

: 100 million DAI

- ttl

: 24 hours

- line

: 100 million DAI

- gap

: 100 million DAI

- ttl

: 24 hours

- Metamorpho Vault Parameters:
- Market Caps:
- USDe 77% LLTV pool cap: 1 billion DAI
- USDe 86% LLTV pool cap: 100 million DAI
- USDe 91.5% LLTV pool cap: 50 million DAI
- USDe 94.5% LLTV pool cap: 10 million DAI
- sUSDe 77% LLTV pool cap: 1 billion DAI
- sUSDe 86% LLTV pool cap: 100 million DAI
- sUSDe 91.5% LLTV pool cap: 50 million DAI
- sUSDe 94.5% LLTV pool cap: 10 million DAI
- USDe 77% LLTV pool cap: 1 billion DAI
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- USDe 94.5% LLTV pool cap: 10 million DAI
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- sUSDe 86% LLTV pool cap: 100 million DAI
- sUSDe 91.5% LLTV pool cap: 50 million DAI
- sUSDe 94.5% LLTV pool cap: 10 million DAI
- Recommended Vault DAI allocations:
- USDe 77% LLTV allocation: 5 million DAI
- USDe 86% LLTV allocation: 10 million DAI
- USDe 91.5% LLTV allocation: 35 million DAI
- USDe 94.5% LLTV allocation: 5 million DAI
- sUSDe 77% LLTV allocation: 5 million DAI
- sUSDe 86% LLTV allocation: 10 million DAI
- sUSDe 91.5% LLTV allocation: 35 million DAI
- sUSDe 94.5% LLTV allocation: 5 million DAI
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- USDe 86% LLTV allocation: 10 million DAI
- USDe 91.5% LLTV allocation: 35 million DAI
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BA Labs recommends the Stability Facilitator to update the Stability Scope article 5.3.2.1A: Current exposure meta-parameter to 100 million DAI;

5.3.2.1A: Current exposure

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Current target exposure of Morpho sUSDe or USDe vault is: 100 million DAI

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