[ARC] Gauntlet Risk Parameter Recommendations (2023-03-20)

Simple Summary

After closely monitoring liquidity conditions across the markets following the USDC nonparity event, Gauntlet recommends the following parameter changes to mitigate risk to the protocol. These parameter changes aim to proactively manage risk following changes in liqudity.

AVAX v3

Gauntlet Recommends decreasing the following caps AVAX v3:

- FRAX supply cap from 50M to 1.5M.

- FRAX borrow cap from 2M to 400k.

- MAI supply cap from 50M to 1.5M.

- MAI borrow cap from 2M to 500k.

- BTC.b supply cap from 4.62k to 3k.

- BTC.b borrow cap from 3.19k to 900.

- USDC supply cap from 4B to 170M.

- USDT supply cap from 2B to 260M.

- WAVAX supply cap from 13.1M to 3.8M.

- WETH supply cap from 113k to 40k.

- WETH borrow cap from 62.1k to 11k.

- DAI.e supply cap from 2B to 17M.

Gauntlet recommends adding the following caps AVAX v3:

- Add 90M borrow cap to USDC.

- Add 120M borrow cap to USDT.

- Add 17M borrow cap to DAI.e.

- Add 3M borrow cap to WAVAX.

ETH v3

- Decrease CRV supply cap from 62.5M to 51M.

Our borrow and supply cap recommendations utilizes the methodology outlined in our[borrow and supply cap methodology](#).

Specification

ETH v3

Asset

Current Supply Cap

Recommend Supply Cap

Current Supply

CRV

62,500,000

51,000,000

108,000

AVAX v3

Assets	Current Supply Cap	Recommend Supply Cap	Current Supply	Current Borrow Cap	Recommend Borrow Cap	Current Borrow
FRAX	50,000,000	1,500,000	15,340	2,000,000	400,000	10,230
MAI	50,000,000	1,500,000	7,870	2,000,000	500,000	5,717
BTC.B	4,620	3,000	4,620	3,190	900	373
USDC	4,000,000,000	170,000,000	51,670,000	-	90,000,000	

33,030,000

USDT

2,000,000,000

260,000,000

28,090,000

-

120,000,000

21,310,000

WAVAX

13,100,000

3,800,000

2,970,000

-

3,000,000

1,230,000

WETH

113,000

40,000

18,290

62,150

11,000

3,368

DAI.e

2,000,000,000

17,000,000

7,010,000

-

17,000,000

4,350,000

Gauntlet's Supply Cap recommendations would result in the effective freezing of supply on BTC.b market.

Next Steps

- Welcome community feedback
- Targeting AIP vote on 3/27/2023