

## Preamble

Impact on users: None

Severity: Low

## Problem Statement

It was discovered yesterday that the DAI market interest rate strategy is misconfigured and currently underreporting earnings to suppliers. Please note: no funds are at risk.

In particular, suppliers are earning 0.5% less than they should be and ~214k of interest over the past few weeks is currently unaccounted for. It's important to note that Maker is the vast majority of the supply to the DAI market with only one other user depositing 220k and a bunch of dust accounts.

This DAI market interest rate strategy change was introduced in the September 13th, 2023 [spell](#) [here](#) when the borrow spread was raised to 0.5%. This strategy should have also set the supply spread to 0.5%.

This was discovered as part of the Phoenix Labs initiative to build enhanced monitoring tooling for the market. The fact the new tooling has discovered this issue demonstrates it is a worthwhile effort.

A full post-mortem will be posted to the forum in the coming weeks.

## Proposed Remedy

After discovery, this issue was classified as not requiring emergency action and can be dealt with in two parts.

Stage 1 - Remediation:

Phoenix Labs proposes switching to a new interest rate strategy contract for the DAI market which sets the supply spread to match the borrow spread at 0.5%. This will stop further unaccounted interest rate accumulation. This should be dealt with in a timely manner, so we propose including this with the next executive (Nov 29th, 2023).

Stage 2 - Recovery:

These extra funds are owed to Maker and it will be possible to recover them, but there is no rush. The amount is small and many techniques are available to correct the accounting.