

Summary

Phoenix Labs proposes the following changes to the SparkLend Ethereum instance:

1. Onboard USDC and USDT markets as borrow-only markets

with the parameters listed below.

1. Add USD e-mode for sDAI, USDC and USDT markets with the below parameters.
2. Increase rETH supply cap from 20k to 60k.

We recommend splitting the above changes into 3 polls:

1. Onboard USDC + Activate USD e-mode (exclude USDT if it doesn't pass)
2. Onboard USDT
3. Increase rETH supply cap.

Rational

USDC and USDT Onboarding

Providing USDC and USDT markets with the below configuration will allow users to lend out their USDC and USDT at a rate slightly below the DSR. This market will cater to users who do not want complete exposure to DAI and are happy to take a slightly lower rate for this risk trade-off.

Taking the other side of this trade is sDAI users who can lever up ~11x against USDC and USDT moving these assets into the PSM (or indirectly through DAI demand increase in the case of USDT).

This change's effects will help close the interest rate gap in the wider DeFi ecosystem and provide additional demand for the DSR. We have seen positive signs of demand for this product in other protocols.

Having the assets in borrow-only mode keeps the risk profile of the pool roughly the same as without them. We also recommend activating [Siloed Borrowing](#) to provide additional protection in the event of depeg in either stablecoin. However, we recognize that USDT is not considered a first-class stablecoin to Maker (no PSM support), so this is also why USDT is being recommended as a separate poll.

rETH Supply Increase

The rETH supply utilization is at ~63% as of this writing, so it makes sense to increase this limit.

New Asset Configuration

Please note all interest rates are in APR.

Risk Parameter

USDC

USDT

Enable Collateral

NO

NO

Loan To Value

N/A

N/A

Liquidation Threshold

N/A

N/A

Liquidation Bonus

N/A

N/A

Liquidation Protocol Fee

N/A

N/A

Isolation Mode

NO

NO

Isolation Mode Debt Ceiling

N/A

N/A

Emode Category

USD

USD

Enable Borrow

YES

YES

Base

0%

0%

Slope1

DSR - 0.4%

DSR - 0.4%

Slope2

20%

20%

Optimal Utilization

95%

95%

Reserve Factor

5%

5%

Supply Cap

60m

30m

Borrow Cap

Unlimited

Unlimited

Isolation Borrowable

NO

NO

Stable Rate Borrowing

NO

NO

Flash Loan Enabled

YES

YES

Siloed Borrowing

YES

YES

USD Efficiency Mode

- LTV: 91%
- LT: 92%
- Liquidation penalty: 1%