MIP102c2-SPXX: MIP Amendment Subproposals

Preamble

MIP102c2-SP#: XX MIP(s) to be amended: 104, 113 Author(s): @labsGFX Contributors: BA Labs General Edit or Article 1 Edit: General Edit Tags: subproposal Type: General Status: RFC Date Proposed: 2024-01-04 Date Ratified: N/A Forum URL: Ratification Poll URL:

Specification

This MIP102c2 Subproposal does not seek to amend Article 1 of a Scope Bounded Mutable Alignment Artifact. It is thus considered a General Edit. An MIP102c2 General Edit cannot modify Article 1 elements.

Motivation

This subproposal will amend two sections of MIP104 and one section of MIP113. These changes are [proposed by BA Labs here](). MIP102c2-SPXX proposes these recommendations without changes (aside from formatting) in order for these changes to reach the March monthly voting cycle, whose frozen period begins tomorrow.

Amended MIPs and Components

MIP104, Sections 3 and 14, and MIP113, Section 10. If other MIP102c2 amendments are being voted upon in the same monthly cycle as MIP102c2-SPXX, then MIP102c2-SPXX overwrites any other amendments passed concurrently for MIP104, Sections 3 and 14, and MIP113 Section 10.

Pull Request TBD

Summary of Changes

MIP104: Stability Scope Bounded Mutable Alignment Artifact

3.2.2: Enhanced Dai Savings Rate; existing language is contradicting itself as it simultaneously states that SparkLend is not affected by EDSR while Exposure model language states it is affected by it. The language edit removes this contradiction.

3.4.2: Base Rate Change Condition; changes the title of element and language. With the addition of the Exposure Model the minimum requirement for updating the parameters should be more loose, as with the current language the change would need to be updated on-chain with each executive vote, which is not necessarily optimal in the initial stages of model being used, when its effects are still being observed. This is only the minimum requirement, the parameters can always be updated.

14.3.1.3: Stability Fee (SF); Adds language to a Initial Rate paragraph in the element which states that Non-Native Vault Types (WBTC) should use EDSR instead of Yield Collateral Benchmark Yield for the Initial Rate in the SF formula in the case where the Yield Benchmark is lower than the EDSR to ensure proper risk compensation on WBTC vault types in such instances.

MIP113: Governance Scope Bounded Mutable Alignment Artifact

10.2.8: SparkLend Freezer Mom; Changes the title of element and language, which describes the now developed and implemented GSM exception which allows Maker governance to freeze or pause SparkLend which bypasses the GSM delay.

10.2.9: Smart Burn Engine Breaker; Adds language for SBE Breaker GSM Exception which was deployed together with the SBE but is missing in the scope.

10.3: SparkDAO and subelements; This element adds language which is the first definition of SparkDAO and additionally in 10.3.1 adds language which is required for research and implementation of External Security Multisig which would allow for timely action in case of an existential emergency which requires immediate intervention.

MIP104: Stability Scope Bounded Mutable Alignment Artifact

3.2.2: Enhanced Dai Savings Rate

Existing language

The Enhanced Dai Savings Rate is a system to temporarily increase the effective DSR available to users in the early bootstrapping stage when DSR utilization is low. The EDSR is determined based on the DSR and the DSR utilization rate, under the control of the Stability Facilitators, and decreases over time as the utilization increases, until it eventually

disappears when utilization gets high enough, when triggered by the Stability Facilitators. EDSR is a one-time, one-way temporary mechanism, which means that the EDSR can only decrease over time, it cannot increase again even if DSR utilization goes down.

The Stability Facilitators can take actions related to the EDSR through forum posts signed by their approved Ethereum address.

Other parameters and mechanisms that are dependent on the DSR, such as crypto-collateralized stability fees, are affected by the EDSR. This applies to all crypto-collateralized Vault Types except for Spark Protocol.

Spark Protocol has a borrow rate spread that follows the Exposure Model methodology (14.3.1.3) and is defined as: Spark DAI Effective Borrow APY = Dai Savings Rate (EDSR while active) + Liquidation Ratio Spread + Asset Spread.

Proposed Language

The Enhanced Dai Savings Rate is a system to temporarily increase the effective DSR available to users in the early bootstrapping stage when DSR utilization is low. The EDSR is determined based on the DSR and the DSR utilization rate, under the control of the Stability Facilitators, and decreases over time as the utilization increases, until it eventually disappears when utilization gets high enough, when triggered by the Stability Facilitators. EDSR is a one-time, one-way temporary mechanism, which means that the EDSR can only decrease over time, it cannot increase again even if DSR utilization goes down.

The Stability Facilitators can take actions related to the EDSR through forum posts signed by their approved Ethereum address.

Other parameters and mechanisms that are dependent on the DSR, such as Native Vault Engine Collateral Stability Fees (SFs) and the Spark D3M Borrow APY, are affected by the EDSR.

Spark Protocol has a borrow rate spread that follows the Exposure Model methodology (14.3.1.3) and is defined as: Spark DAI Effective Borrow APY = Dai Savings Rate (EDSR while active) + Liquidation Ratio Spread + Asset Spread.

3.4.2: Stability Fee (SF) Change Condition

Existing language

Core Stability Parameters must be updated when the Base Rate Change is greater than +/-5%, or when the Exposure Spread or Asset Spread change is greater than +/-10% in the next available executive spell.

Proposed language:

Core Stability Parameters and Spark DAI Effective Borrow APY must be updated when the Stability Fee or Spark DAI Effective Borrow APY change is greater than +/-8% in the next available executive spell.

14.3.1.3: Stability Fee (SF)

Existing Initial Rate paragraph language

Initial Rate is defined as the rate on top of which additional spreads are layered and is equal to Dai Savings Rate (EDSR while active) for Native Vault types and Yield Collateral Yield Benchmark for Non-Native vault types.

Proposed Initial Rate paragraph language

Initial Rate is defined as the rate on top of which additional spreads are layered and is equal to Dai Savings Rate (EDSR while active) for Native Vault types and Yield Collateral Yield Benchmark for Non-Native vault types. If the Yield Collateral Yield Benchmark is lower than the Dai Savings Rate (EDSR while active), then the Initial Rate in the Stability Fee formula for Non-Native Vault Types is changed from Yield Collateral Yield Benchmark to the Dai Savings Rate (EDSR while active).

MIP113: Governance Scope Bounded Mutable Alignment Artifact

10.2.8: SparkLend Freezer Mom

Existing language

GSM Exceptions for SparkLend must be researched and implemented, which are required for mitigating extreme instances in the case of identified exploits which could result in loss of assets for users, Spark or MakerDAO.

GSM Exceptions should include but are not limited to Market Pause and Market Freeze supported by the research and argumentation.

Proposed language:

The SparkLend Freezer Mom contract allows Maker Governance to bypass the GSM delay to either freeze or pause any markets in SparkLend. The contract also allows the undoing of such actions for any market in SparkLend.

This functionality allows 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/withdrawals/borrows/repays and liquidations.

10.2.9: Smart Burn Engine Breaker

New element and corresponding language

The FlapperMom contract allows for the disabling of the Smart Burn Engine without the GSM delay.

This functionality is available so that Maker governance can react to emergencies regarding the Smart Burn Engine.

10.3: SparkDAO

Spark is one of the initial AllocatorDAOs which is focusing on developing crypto on-chain lending engines and will be governed by SparkDAO token holders to the extent and limitations allowed by the rules defined in the Atlas.

SparkLend protocol is the first such engine, structured as a Conduit in the upcoming Allocation System. SparkLend will be adopted by SparkDAO once AllocatorDAOs are launched.

The subelements below outline the governance security framework procedures specifically developed for the SparkLend Protocol.

10.3.1: Multisig Freeze of SparkLend

In addition to the SparkLend Freezer Mom contract defined in 10.2.8, an External Security Access Multisig that allows for pausing and/or freezing SparkLend markets must be researched and implemented. The Multisig Freeze feature of SparkLend should exist alongside the SparkLend Freezer Mom contract, ensuring that the Maker community can take timely action in case of an emergency which requires immediate intervention.

The implementation must be justified by research and argumentation. The solution must be implemented in a way where Maker Governance preserves the ability to disable the solution without argumentation and GSM delay, and preserves total control over the protocol.

The solution can only be used in cases of extreme emergencies such as potential code exploits which >have existential threat potential. The solution must be ratified by Maker Governance with an on-chain poll >before being deployed.