

Introduction

This post covers BA Labs' fifth parameter changes proposal as a member of the Stability Advisory Council. Final changes are pending approval by the responsible Stability Facilitators.

For further context, refer to BA Labs' previous Stability Scope Parameter Change proposals below.

Stability Scope Parameter Change Proposals

- [Decentralized Collateral Scope Parameter Changes #1 - April 2023](#)
- [Stability Scope Parameter Changes #2 & Non-Scope Defined Parameter Changes - May 2023](#)
- [Stability Scope Parameter Changes #3 - June 2023](#)
- [Stability Scope Parameter Changes #4 - July 2023](#)

With this post, BA Labs proposes updated Stability Scope parameters in accordance with the most recent amendments made to MIP104 through MIP102c2-SP13. Each edit and its impact on protocol parameters is explained in further detail in the Analysis

section below.

Summary Recommended Stability Scope Parameter Changes

The following proposed parameter changes can be directly included in an executive vote by the Stability Scope Responsible Facilitator.

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Source: [#5 Stability Scope Parameter Changes](#)

Yield Benchmark Parameter Changes

- Decrease the Stability Collateral Yield Benchmark

by 0.59% from 1.94% to 1.35%.

Base Rate Changes

- Increase the Base Rate

by 0.02% from 3.93% to 3.95%.

[Dai Savings Rate \(DSR\) Changes](#)

- Increase the Dai Savings Rate (DSR)

by 0.12% from 3.33% to 3.45%.

[Stability Fee Changes](#)

- Increase the ETH-A

Stability Fee (SF) by 0.12% from 3.58% to 3.70%.

- Increase the ETH-B

Stability Fee (SF) by 0.12% from 4.08% to 4.20%.

- Increase the ETH-C

Stability Fee (SF) by 0.12% from 3.33% to 3.45%.

PSM-PAX-A (USDP PSM) Changes

Activate Debt Ceiling Instant Access Module (DC-IAM) for PSM-PAX-A

with the following parameters:

- Maximum Debt Ceiling (line): 120 million
- Target Available Debt (gap): 50 million DAI
- Ceiling Increase Cooldown (ttl): 86400 seconds (24 hours)

Stability Scope Bounded Mutable Alignment Artifact Changes

Assuming that the aforementioned changes are implemented, we also propose to incorporate these figures into the [MIP104: Stability Scope Bounded Mutable Alignment Artifact](#) as follows:

- [3.1.1A](#): The Base Rate is: 3.95%
- [3.2.1A](#): The Dai Savings Rate is: 3.45%
- [14.1.1.1A](#): The Stability Collateral Benchmark Yield is: 1.35%
- [14.1.2.1A](#): The Yield Collateral Benchmark Yield is: 5.55%

We also propose making the following edits as it relates to CRVV1ETHSTETH-A

:

- Delete [14.3.7](#)
- Edit [14.3.14](#) to exclude CRVV1ETHSTETH-A as follows: 14.3.14: WBTC-A, WBTC-B and WBTC-C are defined in 14.3 only for the purpose of Stability Fee consistency and are otherwise not considered Native Vault Engine collateral and should be offboarded according to 14.3.15.

Analysis

Yield Collateral Yield Benchmark

As stated in article [14.1.2](#) in the Stability Scope, the Yield Collateral Yield Benchmark is approximately based on the 3-month US Government Treasury Bill. The 3-month US Government Treasury Bill rate is at the time of writing [5.55%](#).

Since the Yield Collateral Yield Benchmark is the same as in [Stability Scope Parameter Changes #4](#), no changes are needed.

Stability Collateral Yield Benchmark (USDP Included in Cash Stablecoins)

According to article [14.1.1](#) in the Stability Scope, the Stability Collateral Yield Benchmark is approximately based on the average yield earned on all Cash Stablecoins. With MIP102c2-SP13, USDP has been reintroduced as a Cash Stablecoin. This means that, at the time of writing, Cash Stablecoins listed in [7.2.1.3.1A](#) include:

- USDC
- Exposure to USDC in centralized custody solutions is capped at 500 million USDC.
- GUSD
- Exposure to GUSD is capped at 110 million GUSD and exposure to GUSD requires that a marketing reward of at least 2% is available.
- USDP
- Exposure to USDP is capped at 120 million USDP and exposure to USDP requires that a marketing reward of at least 2% is available.

At the time of writing, the PSM-USDP-A DC is still 0. Maker first needs to increase the DC to 120 million before any rewards are activated. Therefore, for this parameter change proposal, USDP rewards are not included in the Stability Collateral Yield Benchmark calculation.

It is also worth noting that Coinbase has [increased](#) the Rewards Rate for Coinbase Custody, effective August 8, 2023, from 2.6% to 3.0% for the \$250-750m tier. Since MakerDAO has approximately \$497 million in Coinbase Custody, the effective rate for calculating the Stability Collateral Yield Benchmark has now changed from 2.6% to 3.0%.

As calculated in the screenshot below, the Stability Collateral Yield Benchmark should at the time of writing be 1.35%.

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BA Labs recommends the Stability Facilitator to decrease the Stability Collateral Benchmark Yield from 1.94% to 1.35%.

Base Rate Changes

With MIP102c2-SP13, the Base Rate formula has been changed from:

$((\text{Yield Collateral Yield Benchmark} - 0.7\%) * 0.75 + \text{Stability Collateral Yield Benchmark} * 0.15).$

to:

$((\text{Yield Collateral Yield Benchmark} - 0.7\%) * 0.78 + \text{Stability Collateral Yield Benchmark} * 0.12).$

Taking into account the changes in the Stability Collateral Yield Benchmark and the adjustments to the Base Rate formula, the new Base Rate should be 3.95%.

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BA Labs recommends the Stability Facilitator to increase the Base Rate from 3.93% to 3.95%.

Dai Savings Rate (DSR)

MIP102c2-SP13 alters the DSR spread from 0.60% to 0.50%. With the Base Rate at 3.95%, the updated DSR should be $3.95\% - 0.50\% = 3.45\%$

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BA Labs recommends the Stability Facilitator to increase the DSR from 3.33% to 3.45%.

Enhanced Dai Savings Rate (EDSR)

At the time of writing, the DSR utilization rate is 25.93%. According to the most recent language, the EDSR should remain at 5.00% up until a 35% DSR utilization rate.

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Since the DSR utilization rate is still under 35%, no EDSR changes are needed.

Native Vault Engine Collateral Parameters

ETH-A, ETH-B, and ETH-C

ETH-A, ETH-B, and ETH-C are bound by the following Stability Fee (SF) requirements (dependent on the DSR):

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WSTETH-A, WSTETH-B, and RETH-A

WSTETH-A, WSTETH-B, and RETH-A, on the other hand, are bound by the following Stability Fee requirements (dependent on the EDSR). Since the EDSR has not changed since [Stability Scope Parameter Changes #4](#), no SF changes are necessary to these vault types:

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BA Labs recommends the Stability Facilitator to perform the following parameter changes to Native Vault Engine Collateral:

Stability Fee (SF) changes:

- ETH-A: Increase SF from 3.58% to 3.70%.
- ETH-B: Increase SF from 4.08% to 4.20%.
- ETH-C: Increase SF from 3.33% to 3.45%.

Non-Native Vault Engine Collateral Parameters

The screenshot below shows the updated Stability Fee (SF) values for Non-Native Vault Engine Collateral.

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Since the Yield Collateral Yield Benchmark is the same as in [Stability Scope Parameter Changes #4](#), no changes are needed.

Remove CRVV1ETHSTETH-A From the Stability Scope Language

Since CRVV1ETHSTETH-A is no longer available as Maker Core collateral, BA Labs recommends doing the following language changes to [MIP104: Stability Scope Bounded Mutable Alignment Artifact](#):

1. Delete [14.3.7](#)
2. Edit [14.3.14](#) to exclude CRVV1ETHSTETH-A as follows: 14.3.14: WBTC-A, WBTC-B and WBTC-C are defined in 14.3 only for the purpose of Stability Fee consistency and are otherwise not considered Native Vault Engine collateral and should be offboarded according to 14.3.15.

Activate PSM-PAX-A (USDP PSM)

The latest edition of [MIP104: Stability Scope Bounded Mutable Alignment Artifact](#) states that exposure to USDP is capped at 120 million USDP and that exposure to USDP requires that a marketing reward of at least 2% is available. Furthermore, in a recent [proposal](#) from Trident Digital Group and Paxos, it is stated that an ongoing monthly payment of 2.25% on the notional value of the USDP PSM will be sent to MakerDAO if (i) USDP is reincluded in MIP104#7-2-1-3 and (ii) the USDP PSM Max Debt Ceiling is increased to at least 120mm DAI.

Since USDP has already been included in article 7.2.1.3.1 in Stability Scope, the remaining actions needed to activate the marketing reward is to reactive USDP PSM by making the PSM-PAX-A

parameter changes laid out below.

Activate Debt Ceiling Instant Access Module (DC-IAM) for PSM-PAX-A

with the following parameters:

- Maximum Debt Ceiling (line): 120 million
- Target Available Debt (gap): 50 million DAI
- Ceiling Increase Cooldown (ttl): 86400 seconds (24 hours)