Overview

This is a review of Phoenix Labs' proposal to reduce mainnet DAI market LTV to 0%.

Purpose

The DAI market on mainnet is not intended to be used as collateral. The use of a flat interest rate model increases the likelihood of the market reaching 100% utilization for an extended period which could interfere with DAI collateral liquidations, and the alternative sDAI collateral option should be preferable for users due to higher supplier revenue. While LTV has already been set to 0.01%, reducing to 0% will fully remove the ability to use the DAI market as collateral.

Risk Evaluation

This change strictly reduces risk by eliminating any opportunity to use DAI as collateral, while having no impact on utility as the sDAI market will continue to be available as a collateral asset.

Specification

Set mainnet DAI market maximum LTV parameter to 0%.

References

- Proposal to Adjust SparkLend Parameters

- Spark | Block Analitica