

Introduction

This post covers BA Labs' seventh 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 Changes proposals below.

Previous 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](#)
- [Stability Scope Parameter Changes #5 - August 2023](#)
- [Stability Scope Parameter Changes #6 - September 2023](#)

With this post, BA Labs proposes updated Stability Scope parameters in accordance with the most recent amendments made to MIP104 through [MIP102c2-SP20](#). Each edit and its impact on protocol parameters is explained in further detail in the Analysis

section below. In summary, the analysis section covers:

- Decrease of Yield & Stability Collateral Yield Benchmarks
- Removal of GUSD from the list of Cash Stablecoins
- Decrease in Base Rate
- Decrease in DSR
- No EDSR changes
- SF reduction for WBTC Vault Types
- Reduction of PSM-GUSD-A Debt Ceiling
- Increase of RWA014-A (Coinbase Custody) Debt Ceiling

Summary Recommended Stability Scope Parameter Changes

(The numbers below are an estimate and final calculations will be provided to the Spell crafting team once final figures are determined based on the predetermined formulas and methodology).

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

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Source: [#7 Stability Scope Parameter Changes](#)

Yield Benchmark Parameter Changes

- Decrease the Yield Collateral Yield Benchmark

by 0.07%, from 5.61% to 5.54%

- Decrease the Stability Collateral Benchmark Yield

by 0.94%, from 2.09% to 1.15%.

Base Rate Changes

- Decrease the Base Rate

by 0.27%, from 4.45% to 4.18%.

Dai Savings Rate (DSR) Changes

- Decrease the Dai Savings Rate (DSR)

by 0.27%, from 4.20% to 3.93%.

Enhanced Dai Savings Rate (EDSR)

- DSR utilization levels are still in Tier 1. Enhanced Dai Savings Rate (EDSR)

and effective DSR will remain at 5%.

Stability Fee Changes

- Decrease the WBTC-A

Stability Fee (SF) by 0.07%, from 5.86% to 5.79%.

- Decrease the WBTC-B

Stability Fee (SF) by 0.07%, from 6.36% to 6.29%.

- Decrease the WBTC-C

Stability Fee (SF) by 0.07%, from 5.61% to 5.54%.

Reduce PSM-GUSD-A Debt Ceiling

- Decrease the PSM-GUSD-A

DC-IAM LINE (max DC) by 110M DAI, from 110M to 0.

Increase RWA014-A (Coinbase Custody) Debt Ceiling

- Increase the RWA014-A (Coinbase Custody)

debt ceiling by 1b DAI, from 500M to 1.5b.

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: 4.18%
- [3.2.1A](#) - The Dai Savings Rate is: 3.93%
- [14.1.1.1A](#) - The Stability Collateral Benchmark Yield is: 1.15%
- [14.1.2.1A](#) - The Yield Collateral Benchmark Yield is: 5.54%
- 14.3.2.6: WBTC-A - Stability Fee: 5.79% (new item from MIP102c2-SP20)
- 14.3.2.7: WBTC-B - Stability Fee: 6.29% (new item from MIP102c2-SP20)
- 14.3.2.8: WBTC-C - Stability Fee: 5.54% (new item from MIP102c2-SP20)

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 [5.54%](#).

BA Labs recommends the Stability Facilitators to decrease the Yield Collateral Yield Benchmark by 0.07%, from 5.61% to 5.54%.

Stability Collateral Yield Benchmark

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. In MIP102c2-SP20, Cash Stablecoins listed in article 7.2.1.3.1A include:

- USDC - Exposure to USDC in centralized custody solutions is capped at 1.5 billion USDC.
- 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.

In summary, two notable changes have been made with MIP102c2-SP20:

1. The USDC exposure has increased from 500 million to 1.5 billion
2. GUSD has been removed from the Cash Stablecoins list

Therefore, according to the calculation in the table below, the Stability Collateral Yield Benchmark should at the time of writing be 1.15%.

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BA Labs recommends the Stability Facilitator to decrease the Stability Collateral Benchmark Yield by 0.94%, from 2.09% to 1.15%.

Base Rate Changes

Taking into account the changes in the Yield Collateral Yield Benchmark and the Stability Collateral Yield Benchmark, the new Base Rate should be 4.18%.

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BA Labs recommends the Stability Facilitator to decrease the Base Rate by 0.27%, from 4.45% to 4.18%.

Dai Savings Rate (DSR)

With the Base Rate at 4.18%, the updated DSR should be:

$$4.18\% - 0.25\% = 3.93\%$$

.
BA Labs recommends the Stability Facilitator to decrease the DSR by 0.27%, from 4.20% to 3.93%.

Enhanced Dai Savings Rate (EDSR)

At the time of writing, the DSR utilization rate is approximately [30.2%](#). According to the Stability Scope language, the EDSR should remain at 5.00% up until DSR utilization surpasses 35% for a continuous time period of 24 hours (Tier 2). Once Tier 2 is entered, a new multiplier is applied to the DSR in order to establish a new EDSR. If the DSR utilization exceeded 35% today, Tier 2 DSR would result in an EDSR of 4.53%. However, since this is currently not the case, no changes will be made at this point in time.

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The DSR utilization rate is under 35%. Hence, no EDSR (and thus effective DSR) changes should be made.

Native Vault Engine Collateral Parameters

With MIP102c2-SP20, article 14.3.1.3: Stability Fee (SF)

states that while the EDSR is active, it replaces the DSR in the SF calculations used to derive the SF for Native Vault Engine Collateral. Since the EDSR has not crossed the 35% utilization rate, no EDSR changes have been made. This also means that no changes to SFs of Native Vault Engine Collateral are needed at this point in time. SF calculations for Native Vault Collateral are depicted in the table below:

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Since the EDSR has not changed, no Stability Fee (SF) changes are needed for Native Vault Engine Collateral.

Non-Native Vault Engine Collateral Parameters

The SF of Non-Native Vault Engine Collateral (WBTC-A, WBTC-B, and WBTC-C), on the other hand, are dependent on the Yield Collateral Yield Benchmark instead of the EDSR. The table below illustrates the relationship between Stability Fees (SFs) of Non-Native Vault Engine Collateral and the Yield Collateral Yield Benchmark:

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

Stability Fee (SF) changes:

- WBTC-A: Decrease SF by 0.07%, from 5.86% to 5.79%
- WBTC-B: Decrease SF by 0.07%, from 6.36% to 6.29%
- WBTC-C: Decrease SF by 0.07%, from 5.61% to 5.54%

Reduce PSM-GUSD-A Debt Ceiling

In MIP102c2-SP20, element 7.2.1.3.1A does not recognise GUSD as a Cash Stablecoin, which means that the PSM-GUSD-A maximum debt ceiling must be reduced to 0.

BA Labs recommends the Stability Facilitator to decrease the DC-IAM LINE (max DC) by 110M DAI, from 110M to 0.

Increase RWA014-A (Coinbase Custody) Debt Ceiling

In MIP102c2-SP20, element 7.2.1.3.1A also increases the maximum exposure towards USDC in centralized custody solutions to 1.5 billion USDC, which means that RWA014-A (Coinbase Custody) debt ceiling must be increased.

BA Labs recommends the Stability Facilitator to increase the RWA014-A (Coinbase Custody) debt ceiling by 1b DAI, from 500M to 1.5b.