

# Summary

A proposal to:

- Increase weETH's supply cap on Aave's V3 Base instance.
- Increase EURE's supply cap on Aave's V3 Gnosis instance.
- Increase ZK's supply cap on Aave's V3 ZkSync instance.

All increases are backed by [Chaos Labs' risk simulations](#), which consider user behavior, on-chain liquidity, and price impact, ensuring that higher caps do not introduce additional risk to the platform.

## weETH (Base)

The supply cap of weETH has reached 100% utilization, while its borrow cap utilization stands at 11% utilization.

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## Supply Distribution

The supply distribution of weETH presents limited liquidation risks. The top supplier accounts for 10% of the total weETH supply, posing only minor concentration risks. Furthermore, all top suppliers are borrowing WETH against weETH, significantly reducing liquidation risks due to the high correlation between these two assets.

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## Liquidity

The liquidity of weETH has remained stable since October, with a 300 weETH sell for USDC incurring less than 3% slippage. Although the liquidity is relatively small compared to the total supply, users' behavior of borrowing correlated assets helps mitigate significant risks.

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## Recommendation

Given user behavior, on-chain liquidity, and the total supply of weETH on Base, we recommend increasing the supply cap to 64K weETH.

# EURe (Gnosis)

EURe has reached 92% supply cap utilization, and its borrow cap is at 56% capacity.

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## Supply Distribution

Currently, EURe’s supply is dominated by a single top position, which supplies \$3.9 million worth of EURe, accounting for 71% of the total supply and posing a concentration risk. However, since this top position has no borrowing activity, it does not present any liquidation risk at this time. Additionally, all other top suppliers have no borrowing activity, posing no risk of liquidation at this time.

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## Liquidity

The liquidity of EURe has remained strong and stable at the 2% slippage level, with a 2M EURe sell incurring less than 2% slippage.

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## Recommendation

Given user behavior and on-chain liquidity, we recommend increasing the supply cap to 10.5M EURe.

# ZK (ZkSync)

ZK has reached 97% of its supply cap while its borrow cap is 6% utilized, and its \$800K debt ceiling is 95% utilized.

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Supply Distribution

The top suppliers of ZK are not concentrated, with the largest accounting for just under 5% of the total supply.

In addition, top suppliers are borrowing highly liquid stablecoins such as USDC and USDT against ZK. The top two suppliers maintain health scores of 1.52 and 1.68, respectively, further reducing risks.

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Liquidity

ZK-USDC's DEX liquidity has been somewhat volatile since October, with recent increases in sell-side liquidity. Currently, an 800K ZK swap for USDC can be completed with less than 3% price slippage. While liquidity is not particularly strong, the debt ceiling limits the amount of debt against ZK, reducing the potential impact of liquidations.

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Recommendation

Given user behavior, stable on-chain liquidity, and the asset's debt ceiling, we recommend doubling its supply cap.

Specification

- Chain
- Asset
- Current Supply Cap
- Recommended Supply Cap
- Current Borrow Cap
- Recommended Borrow Cap
- Base
- weETH
- 50,000
- 64,000
- 9,000
- 
- Gnosis
- EURe

6,000,000  
10,500,000  
5,600,000  
-  
Zksync  
ZK  
36,000,000  
72,000,000  
10,000,000  
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## Next Steps

We will move forward and implement these updates via the Risk Steward process.

## Disclaimer

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