ARC: Increase the USDT debt ceiling for the Avalanche V3 Market

At the launch of the Avalanche V3 market, USDT was listed as an isolated asset with its debt ceiling set at $5M. This debt ceiling represents the maximum amount of USD that can be borrowed against USDT as collateral. This proposal aims to increase the debt ceiling for USDT to $75M on the Avalanche V3 Market.

At the time of writing this proposal, here are the relevant metrics and parameters for Avalanche V3 USDT:

- Total supply: $388M

- Utilization rate: 88%

- Available liquidity: $45M

- Debt ceiling: $5M/$5M

- Supply cap: $2B

Given that the current debt ceiling has been met, it is no longer possible to borrow against USDT on the Avalanche V3 Market. The current supply of USDT on Avalanche is over [$650M](). An increase to $75M would translate to about 20% of the current USDT supply on Aave being permitted as collateral in isolation mode.

Despite the controversy around it, USDT remains the largest stablecoin by market cap with the longest track record of any major stablecoin. The currently supported version of USDT on the Avalanche V3 Market is minted natively and does not carry any associated bridge risk. There is clear demand for the use of USDT as collateral on Avalanche and we believe that increasing the debt ceiling will contribute to a healthier and more active market on Avalanche.