

Summary

A proposal to increase the supply and/or borrow caps on the following markets:

- USDC on Scroll
- WETH on Scroll
- wstETH on Scroll

Motivation

Aave was recently added to Scroll's Sessions campaign, which awards 'Marks' to users who deposit assets into Aave's markets.

Coupled with Aave's organic deposit growth on Scroll, this points campaign has pushed Scroll markets up against their supply caps.

USDC (Scroll)

USDC has reached its supply cap on Scroll following a recent 3 million USDC spike in deposits.

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Supply Distribution

Supply is quite distributed, with the top supplier representing just 6.8% of the total market. Most of the top 10 suppliers are not borrowing any assets against collateral, implying minimal risk of liquidation.

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Borrow Distribution

One user — using WETH as collateral — is responsible for 22% of the total USDC borrowed, putting their position at risk of liquidation should WETH's price decrease. However, the user's health score is strong at 1.34 and the position was recently opened, reducing the risk of liquidation.

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Recommendation

Given user behavior and supply & borrow distribution, we recommend doubling the supply and borrow cap.

WETH (Scroll)

Motivation

WETH has reached its supply cap on Scroll following a recent 1,500 WETH spike in deposits.

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Supply Distribution

Supply is very distributed, with the top supplier representing just 12% of the total market. Half of the top 10 suppliers are not borrowing assets against their collateral and so are not at risk of liquidation; the other half are borrowing USDC against their WETH collateral, putting these positions at risk of liquidation should WETH's price fall significantly.

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Collateral at risk exceeds \$2M when WETH's price falls below \$3,000; however, WETH is rapidly becoming more liquid on Scroll, meaning potential liquidations could be conducted efficiently.

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Borrow Distribution

One user is responsible for 45% of the total WETH borrowed, but given that the user is using wstETH as collateral, their position has minimal risk of liquidation.

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Recommendation

Given on-chain liquidity and user distribution, we recommend doubling the supply and borrow cap.

wstETH (Scroll)

Motivation

wstETH is approaching its supply cap on Scroll following consistent deposit growth through recent months.

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Supply Distribution

Supply is fairly distributed, with the top supplier representing 17% of the total market. Three of the top 10 suppliers are borrowing WETH against their wstETH collateral, implying minimal risk of liquidation outside of a major LST depeg. Five others are not borrowing any assets against their collateral, while the remaining two are borrowing <\$250,000 USDC.

Collateral at risk exceeds \$2M when wstETH's price falls below \$3,000 — though only when WETH does not decline with it. Riskier USDC borrows, by comparison, account for just 22% of assets borrowed against wstETH.

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Borrow Distribution

Borrows of wstETH small — the largest is for \$15K — and highly distributed across the userbase. They are also generally low-risk, with USDC & WETH-denominated collateral.

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Recommendation

Given user behavior & supply and borrow distribution, we recommend doubling the supply and borrow cap.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Scroll

USDC

7,500,000

15,000,000

6,500,000

13,000,000

Scroll

WETH

4,500

9,000

3,600

7,200

Scroll

wstETH

4,000

8,000

90

180

Next Steps

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

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