

Summary

A proposal to:

- Increase ZK's supply cap on the ZkSync Main instance.
- Increase USDC's supply cap on the ZkSync Main instance.

ZK (ZkSync-Main)

ZK has reached 72% of its supply cap, while its borrow cap remains lightly utilized at 9%.

[

Screenshot 2025-01-05 at 4.14.11 PM

2496×420 40.6 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/7/70a66bdac54eacb2466b8975d965c3c11fe0bf10.png)

[

Screenshot 2025-01-05 at 4.14.30 PM

2492×868 116 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/1/113d9a852480126d1c59286963696d2c4d3d9805.png)

Supply Distribution

The supply distribution of ZK is not concentrated, with the largest supplier accounting for just 9% of the total supply.

[

Screenshot 2025-01-05 at 4.15.20 PM

2502×1058 164 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/d/dad2c8c74bd2918cb6b929b31fd254fdcaf4943.png)

Most top positions have no borrowing activity, presenting no liquidation risk at this time. The three positions with borrowing activities are borrowing highly liquid stablecoins against ZK, further reducing risks. Additionally, the two positions borrowing USDC against ZK have high health scores of 1.75 and 1.94, indicating no significant concerns at this moment.

Liquidity

ZK-USDC's DEX liquidity has shown a strong upward trend over the past month, with a 3M ZK swap for USDC incurring less than 4% price slippage, supporting a supply cap increase.

[

image - 2025-01-06T001030.904

1200×800 84.1 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/7/727b1044d1c9b9c71a8b4d6d2f5b54c125488009.png)

Recommendation

Given user behavior and stable on-chain liquidity, we recommend doubling its supply cap. This increase is backed by [Chaos Labs' risk simulations](#), which consider user behavior, on-chain liquidity, and price impact, ensuring that the higher cap does not introduce additional risk to the platform.

USDC (ZkSync-Main)

USDC's supply cap is fully utilized at 100%, while its borrow cap utilization stands at 59%.

[

Screenshot 2025-01-05 at 4.02.13 PM

2494×406 36 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/e/e764b16426fb15804f4f5c0f2ee5b3fb1dd49c62.png)

[

Screenshot 2025-01-05 at 4.03.22 PM

1990×690 92.1 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/7/7e0574cfd87af26758cc5e79fb5dc01c155b24d0.jpeg)

Supply Distribution

The supply of USDC is well distributed, with none of the top suppliers borrowing against their USDC, keeping this market at a very low risk of significant liquidation events.

[

Screenshot 2025-01-05 at 4.04.23 PM

2498×1058 151 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/6/6559b2e6ee50eba0167865bc6869d9b0a37495bf.png)

ZK is the largest borrowed asset against USDC, accounting for 54.52% of the total borrowed assets. However, the borrowed ZK amounts to only \$37K, which is minimal compared to the total supply, significantly reducing the risk of large-scale liquidations.

[

Screenshot 2025-01-05 at 4.07.13 PM

2496×1096 142 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/7/7ef517ebcbcbcd73c245369bf14eb4d32170bfe.png)

Liquidity

As shown below, USDC's liquidity paired with USDT has fluctuated over the past month but shows no signs of consistent decline.

[

image - 2025-01-06T001049.072

1200×800 90.7 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/2/2f5c642b6840d6cc5d0b503bdf466e4471cd0af0.png)

Although the liquidity is relatively small compared to the total supply, our analysis of top supplier behavior and the relatively low amount of borrowed assets against USDC suggests that this does not present any significant concerns.

Recommendation

Given user distribution and on-chain liquidity, we recommend doubling the supply cap. This increase is backed by [Chaos Labs' risk simulations](#), which consider user behavior, on-chain liquidity, and price impact, ensuring that the higher cap does not introduce additional risk to the platform.

Specification

Chain

Instance

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

ZkSync

Main

ZK

72,000,000

144,000,000

10,000,000

-

ZkSync

Main

USDC

2,000,000

4,000,000

1,800,000

-

Next Steps

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

Disclaimer

Chaos Labs has not been compensated by any third party for publishing this ARFC.

Copyright

Copyright and related rights waived via [CC0](#)