Summary

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

- USDT on Ethereum

Motivation

USDT (Ethereum)

USDT is approaching its supply and borrow caps following sustained growth in the market in recent weeks.

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Supply Distribution

All of the top suppliers are not borrowing against their positions, putting this market at lower risk of a large liquidation cascade.

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Borrows against USDT are limited, at just $27.1M, $23.69M of which is WETH; these positions are at risk of liquidation should WETH's price rise.

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Borrow Distribution

The largest borrow is $82M USDT against $222M WETH, leading to a relatively strong health score of 2.24. Additionally, the assets being used as collateral in the largest borrow positions are largely those with the deepest on-chain liquidity.

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Overall, wstETH and WETH are the most popular collateral assets against USDT, followed by WBTC.

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Recommendation

Given on-chain liquidity and user distribution, we recommend increasing the supply and borrow caps by 500M USDT each.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

USDT

1,500,000,000

2,000,000,000

1,400,000,000

1,900,000,000

Next Steps

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

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