

Summary

A proposal to:

- Increase GNO's supply cap
- Increase EURE's supply and borrow caps
- Increase sDAI's supply cap
- Increase USDC's supply and borrow caps
- Increase WXDAI's supply and borrow caps

Motivation

The following recommendations were made using Chaos' supply and borrow cap methodologies after analyzing user positions for the asset.

GNO

GNO's supply and borrow caps stand at 88% and 35% utilization, respectively. The debt ceiling has reached 97% utilization.

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Supply Distribution

GNO supply grew on March 23 following a [user](#) depositing 8K GNO across two transactions.

This user is the largest supplier of GNO and maintains a relatively strong health score.

Stablecoins are the only assets borrowed against GNO collateral, putting the positions at risk of liquidation should GNO's price fall.

- The top [user](#) — mentioned above — supplies 18K GNO and borrows 640K USDC and 200K WXDAI, with a health score of 2.6.
- The next largest [user](#) has supplied 15K GNO and does not borrow any assets.
- No other user supplies more than 1.6K GNO.

The largest position with a health score of under 2 could be liquidated with 2.3% price impact.

Given the market's relatively conservative parameters and the health of the largest positions, significant liquidations would not begin unless GNO's price falls more than 40%.

Borrow Distribution

Borrow cap utilization is relatively low. The largest [borrower](#) has borrowed 258 GNO against 213K WXDAI collateral.

Recommendations

Given the composition of user positions and on-chain liquidity, we recommend increasing the supply cap to 60K. A separate ARFC will be published to increase the debt ceiling for GNO.

EURE

EURE's supply and borrow caps stand at 85% and 83% utilization, respectively.

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Supplies and borrows have grown in the past month.

Supply Distribution

The largest [supplier](#) of EURE has deposited 860K EURE, along with \$40M worth of other tokens; the user has not borrowed against these deposits. EURE cannot be used as collateral, and thus the health scores of the largest suppliers are very strong.

Borrow Distribution

The largest [borrower](#) has borrowed 346K EURE against 4.2M sDAI, with another 50K EURE supplied.

sDAI is the most popular collateral against sDAI, followed by wstETH and WETH.

Recommendations

Given the composition of user positions and on-chain liquidity, we recommend increasing the supply cap to 3M and the borrow cap to 2.8M.

sDAI

Following a recent [proposal](#) to increase the supply cap from 20M sDAI to 40M sDAI, the amount of sDAI supplied on Gnosis has surged.

Borrow Distribution

Following the passage of the proposal, a [user](#) transferred 4.6M sDAI collateral from Ethereum to Gnosis, borrowing WETH against it. The user maintains a health score of 2.31, though liquidation is possible if WETH's price rises.

Nearly all other borrows against sDAI collateral are stablecoins, putting these positions at low risk of liquidation.

Recommendations

Given the composition of user positions and on-chain liquidity, we recommend increasing the supply cap to 48M sDAI. The supply cap is constrained to be less than 75% of the circulating supply, which currently stands at 64.5M.

USDC

USDC's supply and borrow caps currently stand at 75% and 67% utilization, respectively.

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Both have increased significantly since the beginning of March.

Supply Distribution

\$5.46M of the \$5.5M total is supplied by a single [user](#). This user does not borrow against their supplied assets.

There is limited borrowing against USDC collateral, limiting the risk of liquidations.

Borrow Distribution

The largest borrower has borrowed \$1.1M USDC against sDAI collateral. Borrows of USDC are well distributed.

The vast majority of collateral against USDC is sDAI, limiting the risk of liquidations.

Recommendations

Given user positions and on-chain liquidity, we recommend increasing the supply and borrow caps to 11M USDC each. This increase is limited by on-chain circulating supply; recommendations do not exceed 75% of circulating supply, which is currently 14.5M USDC.

WXDAI

WXDAI’s supply and borrow caps stand at 78% and 70% utilization, respectively.

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Both have grown rapidly in March.

Supply Distribution

13.6M of the 14.1M WXDAI supplied has been deposited by the same user mentioned in the USDC analysis.

There are limited borrows against WXDAI collateral; GNO is the most popular, with \$110K borrowed, followed by \$31K EURE.

Borrow Distribution

Most of the top borrowers of WXDAI are borrowing against sDAI collateral, limiting the likelihood of liquidations.

Recommendations

Given the user distribution and on-chain liquidity, we recommend increasing the supply cap to 36M WXDAI and the borrow cap to 36M WXDAI.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Gnosis

GNO

40,000

60,000

2,200

No Change

Gnosis

EURE

1,500,000

3,000,000
1,400,000
2,800,000
Gnosis
sDAI
40,000,000
48,000,000
N/A
N/A
Gnosis
USDC
7,400,000
11,000,000
7,400,000
11,000,000
Gnosis
WXDAI
18,000,000
36,000,000
18,000,000
36,000,000

Next Steps

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

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