

# Summary

A proposal to increase the supply and borrow caps on USDC and USDT on V3 Arbitrum

## Motivation

### USDT (Arbitrum)

USDT is approaching its 75% of its supply cap and 89% of its borrow cap following sustained growth in the market in recent weeks.

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### Supply Distribution

9 of the 10 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 \$4.42M, \$2.63M of which is WETH; these positions are at risk of liquidation should WETH's price rise.

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### Borrow Distribution

Borrowers are well distributed, with the top borrower borrowing \$3.03M USDT, accounting for less than 5% of the total borrows.

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

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## Recommendation

Given on-chain liquidity and user distribution, we recommend increasing the supply cap to 130M and the borrow cap to 120M

## USDC (Arbitrum)

USDC is approaching its nearly 88% utilization of its supply and borrow cap following sustained growth in the market in recent weeks.

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## Supply Distribution

7 of the 10 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 \$25.72M, \$17.44M of which is WETH and WBTC

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## Borrow Distribution

The largest [borrower](#) is the dHedge 3x ETH strategy, with \$90.3M WETH deposited and \$61.8M USDC borrowed against their collateral.

The second largest [borrower](#) is the dHedge 3x BTC strategy, with \$77.06M WBTC deposited and \$51.08M USDC borrowed.

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## Recommendation

Given on-chain liquidity and user distribution, we recommend increasing the supply and borrow cap to 350M and 320M, respectively,

## Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Arbitrum

USDT

100,000,000

130,000,000

70,000,000

120,000,000

Arbitrum

USDC

300,000,000

350,000,000

270,000,000

320,000,000

## Next Steps

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

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