

# Summary

A proposal to increase:

## Ethereum

- CRV - supply cap
- rETH - supply cap

## Arbitrum

- rETH - supply cap

## Optimism

- LINK - supply cap

# Motivation

The recommendations below were made utilizing Chaos' supply and borrow cap methodologies and after analyzing user positions for each asset.

Please note that there are several other assets across V3 deployments with high supply and borrow cap utilization that were analyzed and do not have recommendations for an increase, given current market conditions. We maintain continuous monitoring of protocol usage and adjust our recommendations in response to evolving market conditions based on our simulations.

## Ethereum

### rETH

The supply cap for rETH on Ethereum V3 is currently at 92% utilization.

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Utilizing our supply and borrow cap methodology, we do not observe excess risk when increasing the supply cap for rETH on Ethereum. We recommend increasing the supply cap to 90K rETH.

We want to highlight that, in contrast to wstETH, which is predominantly used for borrowing WETH, the majority of rETH is utilized as collateral for borrowing stablecoins, accounting for 66% of total borrows.

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## CRV

The supply cap for CRV on Ethereum V3 is currently at 100% utilization.

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The recent increase in CRV supply is due to a single [user](#) (Michael Egorov) supplying ~5.36M CRV, amounting to over 71% of the total CRV supply. The user is currently borrowing nearly 707K USDC against his CRV collateral.

Utilizing our supply cap methodology and given the debt ceiling set at \$1m, we do not observe excess risk when increasing the supply cap for CRV on Ethereum. However, given the current concentration in a single user, we recommend a modest increase of the supply cap to 11M CRV.

## Arbitrum

### rETH

The supply cap for rETH on Arbitrum V3 is currently at 82% utilization.

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Utilizing our supply cap methodology, we do not observe excess risk when increasing the supply cap for rETH on Arbitrum. Given the current supply, we recommend a 50% increase to the supply cap to 5,100 rETH.

## Optimism

### LINK

The supply cap for LINK on Optimism V3 is currently at nearly 100% utilization.

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Our methodology recommends capping the supply at 50% of the total circulating on-chain supply. With the circulating supply on Arbitrum at ~471K LINK, we recommend increasing the supply cap to 235,000. Utilizing our supply cap methodology, we do not observe excess risk with this increase.

## Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

rETH

60,000

90,000

19,200

No Change

Ethereum

CRV

7,500,000

11,000,000

5,000,000

No Change

Optimism

LINK

210,000

235,000

84,000

No Change

Arbitrum

rETH

3,400

5,100

1,400

No Change

## Next Steps

Once we receive feedback from [@Gauntlet](#) on the above recommendations, we will move forward to implement these updates via the Risk Steward process.

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