Summary

A proposal to increase the Supply caps for LINK, AAVE, EURS, USDC, and USDT, and Borrow Caps for USDC and USDT on AAVE Arbitrum V3.

LINK

The Supply Cap for LINK on Arbitrum V3 is currently at 95% utilization, indicating heightened demand.

Utilizing our supply cap methodology, we have determined that the current state of the asset on Arbitrum allows for an increase in the Supply Cap of LINK to 2M.

Borrow Distribution Analysis

There are currently a total of $12M of assets borrowed against $35M worth of LINK on Aave Arbitrum V3.

The current percentage of debt against LINK collateral is approximately 34%.

Given the limited on-chain LINK liquidity, the distribution of LINK debt, and overall utilization on Aave, we propose a slight increase in the Supply Cap from 1.8M to 2M.

AAVE

The Supply Cap for AAVE on Arbitrum V3 is currently at 100% utilization, indicating heightened demand.

Utilizing our supply cap methodology, we have determined that the current state of the asset on Arbitrum allows for an increase in the Supply Cap of AAVE to 3.6k.

Borrow Distribution Analysis

There are currently a total of $73k of assets borrowed against $242k worth of AAVE on Aave Arbitrum V3.

The current percentage of debt against AAVE collateral is approximately 30%.

Given the limited on-chain AAVE liquidity, the distribution of AAVE debt, and overall utilization on Aave, we propose a slight increase in the Supply Cap from 1.85k to 3.6k.

EURS

The Supply Cap for EURS on Arbitrum V3 is currently at 81% utilization, indicating heightened demand.

Utilizing our supply cap methodology, we have determined that the current state of the asset on Arbitrum allows for an increase in the Supply Cap of EURS to 80k.

Borrow Distribution Analysis

There are currently a total of $13.5k of assets borrowed against $57.8 worth of EURS on Aave Arbitrum V3.

The current percentage of debt against EURS collateral is approximately 23%.

Given the limited on-chain EURS liquidity, the distribution of EURS debt, and overall utilization on Aave, we propose a slight increase in the Supply Cap from 65k to 80k.

USDC

The supply cap for USDC on Arbitrum V3 is currently at 90% utilization, while the borrow cap utilization stands at 88%.

Utilizing our supply cap methodology, we have determined that the current state of the asset on Arbitrum allows for an increase in the supply cap of USDC, to 200M, alongside an equivalent borrow cap increase to 180M.

Borrow Distribution

There is currently a total of $10M of assets borrowed against USDC on Aave arbitrum V3, or 8% of the currently supplied USDC.

Top Suppliers

There is currently no concentration risk for USDC on AAVE Arbitrum V3. Additionally, the current on-chain liquidity distribution is adequate to execute liquidations in the event of continuous price appreciation of the underlying debt asset without corresponding debt repayments.

USDT

The supply cap for USDC on Arbitrum V3 is currently at 79% utilization, while the borrow cap utilization stands at 100%.

Utilizing our supply cap methodology, we have determined that the current state of the asset on Arbitrum allows for an increase in the supply cap of USDC to 100M, alongside an equivalent borrow cap increase to 70M.

Borrow Distribution

There is currently a total of $2.7M of assets borrowed against USDT on Aave arbitrum V3, or 6.7% of the currently supplied USDT.

There is currently no concentration risk for USDT on AAVE Arbitrum V3. Additionally, the current on-chain liquidity distribution is adequate to execute liquidations in the event of continuous price appreciation of the underlying debt asset without corresponding debt repayments.

Recommendations

Next Steps

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

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