

# Summary

This proposal recommends reducing the supply and borrow caps on Aave V3 Scroll to reflect lower utilization and decreased liquidity.

## Motivation

The cap utilization of all assets except SCR has decreased significantly since Scroll TGE on October 22, 2024. The chart below plots the supply and borrow cap utilization of each asset listed on Scroll, with the thickness of the line representing the USD value of supplies and borrows, respectively.

[

image - 2025-01-17T162635.707

1590x1088 110 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/6/6bb54583b4fc11921289baa9bd82acce23db61f.png)

Decreasing utilization has mirrored the broader trend on Scroll, which has faced a sharp drop in TVL in recent months.

[

image - 2025-01-17T162641.805

1696x840 51.9 KB

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This has also been reflected in liquidity, which is our primary reason for recommending reduced caps. Deteriorating DEX liquidity limits liquidators' ability to process liquidations efficiently. weETH's liquidity is presented below as an example.

[

image - 2025-01-17T162648.467

1200x800 92.4 KB

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Liquidity in the WETH-USDC pair has also deteriorated following a spike ahead of TGE.

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While we do not observe significant VaR in the current cap setup, we prefer to be proactive in limiting exposure should the downward trend continue.

## Recommendation

We recommend setting each new supply cap to 3x the current supply, rounded up, allowing room for growth while mitigating potential future risks. We recommend a more substantial decrease to weETH's supply cap given its size relative to WETH (\$70M weETH supplied compared to \$65M WETH supplied).

Given the new supply caps, we recommend setting USDC and WETH's borrow caps according to UOptimal. For SCR and wstETH, we recommend using the same methodology as for supply caps; for weETH, we do not recommend changes as its borrow cap is already set to 1.

## Specification

The following table shows the recommended changes:

Asset  
Deployment  
Current Supply Cap  
Rec. Supply Cap  
Current Borrow Cap  
Rec. Borrow Cap  
SCR  
Scroll  
720,000  
-  
180,000  
12,000  
USDC  
Scroll  
75,000,000  
30,000,000  
45,000,000  
27,000,000  
weETH  
Scroll  
46,500  
35,000  
1  
-  
WETH  
Scroll  
109,000  
60,000  
98,000  
54,000  
wstETH  
Scroll  
30,000  
10,000  
12,000  
1,000

**Next Steps**

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

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