Summary

A proposal to:

- Increase SNX's borrow cap on the Ethereum Core instance.
- Increase ZK's supply cap on the ZkSync Main instance.
- Increase WETH's supply cap on the ZkSync Main instance.
- Increase wstETH's supply and borrow caps on the ZkSync Main instance.
- Increase USDC's supply and borrow caps on the ZkSync Main instance.

SNX (Ethereum-Core)

SNX has reached full borrow cap utilization while its supply cap is 59% utilized.

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Borrow Distribution

The borrow cap has been filled following a user opening a new position, borrowing $265K SNX against $592K USDC, for a health score of 1.73; this user is the largest borrower of SNX.

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This position does not pose a risk given its relatively small size and the strong liquidity of USDC. None of the other borrow positions are large enough to pose a risk to the protocol.

Liquidity

Liquidity between SNX and USDC has remained strong since June, with sufficient liquidity to efficiently liquidate the position if necessary.

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Recommendation

Given the relatively limited amount of borrows and user behavior, we recommend doubling the borrow cap. This increase is backed by Chaos Labs' risk simulations, which consider user behavior, on-chain liquidity, and price impact, ensuring that the

higher cap does not introduce additional risk to the platform.

ZK (ZkSync-Main)

ZK has reached its supply cap while its borrow cap is lightly utilized, and its $800K debt ceiling is 53% utilized.

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Supply Distribution

The top suppliers of ZK are not highly concentrated, with the largest accounting for just under 10% of the total supply. This significantly reduces the risks associated with any top users borrowing against ZK collateral.

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Additionally, the asset is in isolation mode, and thus, users are limited to borrowing highly liquid stablecoins against ZK. The top two suppliers have strong health scores of 2.14 and 2.74, respectively, reducing risk.

Liquidity

ZK-USDC's DEX liquidity has been relatively stable since October, with a 500K ZK swap for USDC able to be completed under 10% price slippage.

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While liquidity is not strong, the debt ceiling significantly limits the amount of debt against ZK, reducing the size of any potential liquidations.

Recommendation

Given user behavior, stable on-chain liquidity, and the asset's debt ceiling, we recommend doubling its supply cap. This increase is backed by Chaos Labs' risk simulations, which consider user behavior, on-chain liquidity, and price impact, ensuring that the higher cap does not introduce additional risk to the platform.

WETH (ZkSync-Main)

WETH's supply cap is 76% utilized, and its borrow cap is 29% utilized, following significant growth in supply and more muted growth in borrows.

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Supply Distribution

The top suppliers are again highly distributed, with the largest accounting for just 5.1% of the total supply.

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Users primarily borrow USDC, with some also borrowing WETH itself or wstETH. There are $113K worth of ZK borrows against WETH. This distribution presents a limited risk to the protocol.

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Liquidity

WETH’s liquidity on ZkSync has also remained stable since October, with a 20 WETH for USDC swap able to be completed for under 5% slippage.

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Again, while liquidity is not strong, the distribution of suppliers and the assets they are borrowing allows us to recommend a supply cap increase.

Recommendation

Given user behavior, distribution, and on-chain liquidity, we recommend doubling the supply cap. Our risk simulations support this change. There is no need to increase the borrow cap at this time given that wstETH’s cap increase (below) and subsequent expected increase borrows of WETH will still not cause WETH to reach its borrow cap.

wstETH (ZkSync-Main)

wstETH’s supply and borrow caps are fully utilized.

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Supply Distribution

The supply of wstETH is more concentrated than in other ZkSync markets, with the top supplier accounting for nearly 50% of the total. However, given their borrowing of WETH, this correlated position presents a limited risk.

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Only three of the top 10 suppliers borrow USDC against their wstETH, posing a higher liquidation risk. WETH represents the vast majority of value borrowed against wstETH.

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Borrow Distribution

Borrows are relatively small given the asset's borrow cap relative to its supply cap. The top borrowers are all borrowing wstETH against WETH and are also at limited liquidation risk, given their correlation.

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However, the risk is slightly higher because of wstETH accruing yield, though the small size of the borrows mitigates this.

Liquidity

wstETH's liquidity against USDC is sufficient to efficiently liquidate any non-WETH-debt positions.

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Recommendation

Given on-chain liquidity, user distribution, and user behavior, we recommend doubling the supply and borrow caps. Our risk simulations again support this recommendation, finding limited additional risk to the protocol.

USDC (ZkSync-Main)

USDC’s supply cap is 71% utilized and its borrow cap is 69% utilized following significant growth in both.

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Supply Distribution

The supply is well distributed, especially given the relatively small market size.

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None of the top suppliers are borrowing against their USDC, putting this market at a very low risk of large liquidation events.

Borrow Distribution

The top borrowers of USDC are highly distributed, with the largest position being just $64K.

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The two largest are the previously discussed ZK suppliers, presenting little risk, followed by two users borrowing against WETH with relatively strong health scores. This borrow distribution does not present a significant risk.

ZK is the most popular collateral asset against USDC, followed by WETH.

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Liquidity

As shown above, USDC’s liquidity paired with WETH and ZK is sufficient to support supply and borrow cap increases.

Recommendation

Given user distribution and on-chain liquidity, we recommend doubling the supply and borrow caps.

Specification

Chain

Instance

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

Core

SNX

4,500,000

-

150,000

300,000

ZkSync

Main

ZK

18,000,000

36,000,000

10,000,000

-

ZkSync

Main

WETH

1,000

2,000

900

-

ZkSync

Main

wstETH

300

600

30

60

ZkSync

Main

USDC

1,000,000

2,000,000

900,000

1,800,000

Next Steps

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

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