

# Summary

A proposal to increase:

- m.USDC - supply and borrow cap
- m.USDT - supply and borrow cap
- WETH - borrow cap
- METIS - supply cap

## Motivation

Following the launch of the [Metis Incentive Program](#)

on Aave, which currently incentivizes borrowing of all Metis-listed assets as well as the supply of METIS and WETH, we've observed full utilization of the supply caps and a significant utilization of borrow caps.

While the program has driven increased usage, it's worth noting that a substantial portion of this activity involves users looping the same asset to capture yield. Below, we provide recommendations for increasing some of these caps below after analyzing user positions and on-chain liquidity for each asset, and utilizing our supply and borrow cap methodology.

m.USDC

[Resource: Chaos Labs Risk Platform](#)

m.USDT

[Resource: Chaos Labs Risk Platform](#)

Utilizing our stress testing framework, we do not observe VaR while increasing the caps for USDC and USDT, as the main use case observed is looping the same asset to earn incentives. Given the on-chain liquidity observed over the past months, we recommend doubling the supply caps and setting the borrow caps at 90% of the supply cap.

WETH

Considering the limited on-chain liquidity of WETH, which is essential for supporting liquidations, we advise against further increasing the supply cap. Although small, our stress tests indicate an increase in VaR with higher caps. Therefore, we recommend contemplating increasing the supply cap only after observing an improvement in DEX liquidity.

However, given the current usage, we do recommend doubling the borrow cap from 90 to 180.

METIS

As Metis is listed as a non-collateral asset, we recommend doubling the current supply cap to 240K METIS. As there is a low demand for borrowing METIS, we do not recommend increasing the cap at this time.

m.DAI

We do not recommend increasing the supply and borrow cap of m.DAI as it currently represents nearly 60% of the total circulating supply on-chain.

## Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Metis

m.USDC

1,200,000

2,400,000

1,200,000

2,150,000

Metis

m.USDT

1,400,000

2,800,000

1,400,000

2,500,000

Metis

WETH

300

No Change

90

180

Metis

METIS

120,000

240,000

4,000

No Change

## Next Steps

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