

Simple Summary

A proposal to adjust:

1. Twenty-five (25) total risk parameters, including Supply Cap and Borrow Cap, across thirteen (13) stablecoins on Aave V3 Polygon, Arbitrum, Avalanche, and Optimism assets.
2. Four (4) supply caps across four (4) assets on Aave V3 Polygon and Avalanche

Motivation

The objective of this proposal is to recommend updated supply and borrow caps for:

1. V3 stablecoins that have excessive supply caps set and/or have no set borrow cap.
2. The caps are intended to allow for substantial growth compared to the current supply while not set too excessively.
3. The recommendations for the supply caps are set to up to 40% of the circulating supply for most assets and no more than 60%. You can find the exact number for each asset in the tables below. Borrow caps are set to ~65% of the supply cap.
4. The caps are intended to allow for substantial growth compared to the current supply while not set too excessively.
5. The recommendations for the supply caps are set to up to 40% of the circulating supply for most assets and no more than 60%. You can find the exact number for each asset in the tables below. Borrow caps are set to ~65% of the supply cap.
6. V3 assets that have reached over 75% utilization of either cap.
7. The recommendations provided in this proposal were derived using Chaos Labs' [Updated Supply and Borrow Cap Methodology](#). Below are the data and considerations for the assets and recommended caps for these assets:
8. The recommendations provided in this proposal were derived using Chaos Labs' [Updated Supply and Borrow Cap Methodology](#). Below are the data and considerations for the assets and recommended caps for these assets:

There following assets are at >75%. However, we do not recommend increasing their caps at this time due to current liquidity levels:

1. GHST (V3 Polygon)
2. SUSHI (V3 Polygon)
3. BAL (V3 Polygon)
4. AAVE (V3 Arbitrum)

Polygon

We propose updating the supply caps for WETH and AAVE. The new proposed caps are set to allow growth on V3 and room for the migration of positions from V2. The image below shows the total value in borrows for the said assets.

WETH

[

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](<https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/4/423b1a417185e2d038c98216df3b9857df893fef.png>)

Given the calculation below, we recommend increasing the supply cap of WETH to 50,000, nearly doubling the current supply cap (rounded down from 53,800).

We do not recommend a change to the borrow cap at this time.

Current Supply

Extreme Liquidation Amount

Max Amount Liquidated

R

Recommended Supply Cap

WETH

22,310

\$350,000

\$8,500,000

2.00

50,000

AAVE

[

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](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/d/dd1145e17fa939441d93a4edde2285e8ef3ae6ef.png)

Given the calculation below, we recommend increasing the supply cap of AAVE to 70,000 nearly doubling the current supply cap (rounded down from 73,640).

Current Supply

Extreme Liquidation Amount

Max Amount Liquidated

R

Recommended Supply Cap

AAVE

34,360

\$70,250

\$280,000

2.00

70,000

Avalanche

We propose updating the supply caps for LINK and AAVE. The new proposed caps are set to allow growth on V3 and room for the migration of positions from V2. The image below shows the total value in borrows for the said assets.

AAVE

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Given the calculation below, we recommend increasing the supply cap of AAVE to 5,800.

Current Supply

Extreme Liquidation Amount

Max Amount Liquidated

R

Recommended Supply Cap

AAVE

3,860

\$11,100

\$15,000

1.50

5,800

LINK

[

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Given the calculation below, we recommend increasing the supply cap of LINK to 440,000.

We do not recommend a change to the borrow cap at this time.

Current Supply

Extreme Liquidation Amount

Max Amount Liquidated

R

Recommended Supply Cap

LINK

294,910

\$121,770

\$166,000

1.50

440,000

Recommendations

Arbitrum

Updated Caps for Stables

Asset

Current Supply

Current Supply Cap

Recommended Supply Cap

Current Borrow

Current Borrow Cap

Recommended Borrow Cap

Notes

DAI

3,530,000

2,000,000,000

50,000,000

1,940,000

N/A

30,000,000

38% of the circulating supply

EURS

36,590

N/A

60,000

24,242

N/A

45,000

60% of the circulating supply

USDC

34,700,000

2,000,000,000

150,000,000

17,410,000

N/A

100,000,000

16% of the circulating supply

USDT

3,720,000

2,000,000,000

50,000,000

3,060,000

N/A

35,000,000

20% of the circulating supply

Optimism

Updated Caps for Stables

Asset

Current Supply

Current Supply Cap

Recommended Supply Cap

Current Borrow

Current Borrow Cap

Recommended Borrow Cap

Notes

DAI

2,620,000

2,000,000,000

25,000,000

1,210,000

N/A

16,000,000

35% of the circulating supply

sUSD

1,510,000

20,000,000

No Change

783,150

N/A

13,000,000

25% of the circulating supply

USDC

48,510,000

2,000,000,000

150,000,000

15,870,000

N/A

100,000,000

43% of the circulating supply

USDT

3,880,000

2,000,000,000

25,000,000

3,100,000

N/A

16,000,000

47% of the circulating supply

Avalanche

Updated Caps for Stables

Asset

Current Supply

Current Supply Cap

Recommended Supply Cap

Current Borrow

Current Borrow Cap

Recommended Borrow Cap

Notes

DAI

12,260,000

2,000,000,000

30,000,000

6,480,000

N/A

20,000,000

52% of the circulating supply

FRAX

16,260

50,000,000

1,500,000

15,281

2,000,000

1,000,000

38% of the circulating supply

MAI

113,620

50,000,000

700,000

103,660

2,000,000

460,000

42% of the circulating supply

USDC

156,940,000

4,000,000,000

250,000,000

97,960,000

N/A

175,000,000

45% of the circulating supply

USDT

52,450,000

2,000,000,000

200,000,000

35,930,000

N/A

140,000,000

30% of the circulating supply

High Utilization

Asset

Current Supply

Current Supply Cap

Recommended Supply Cap

Current Borrow

Current Borrow Cap

Recommended Borrow Cap

AAVE

3,860

4,500

5,800

N/A

N/A

N/A

LINK

294,870

353,000

440,000

5,750

220,000

No Change

Polygon

High Utilization

Asset

Current Supply

Current Supply Cap

Recommended Supply Cap

Current Borrow

Current Borrow Cap

Recommended Borrow Cap

WETH

22,250

26,900

50,000

2,695

14,795

No Change

AAVE

34,300

36,820

70,000

N/A

N/A

N/A

Next Steps

We invite a community discussion around the proposed parameter updates and utilizing the [Aave V3 Caps Framework](#), are targeting an AIP for Monday, February 27th.