Summary

A proposal to:

- Increase USDT's supply cap on Aave's V3 ZkSync deployment.

All cap increases are backed by [Chaos Labs' risk simulations](), which consider user behavior, on-chain liquidity, and price impact, ensuring that higher caps do not introduce additional risk to the platform.

USDT (ZkSync)

The supply cap of USDT has reached 100% utilization and the borrow cap utilization has reached 12% utilization.

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Supply Distribution

The supply cap was hit following a large deposit by the now-largest user, who represents 86% of the total supply, making the market highly concentrated. However, this user does not borrow against their position, thus currently posing no risk of liquidation.

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The value of assets borrowed against USDT is minimal, reducing the risk associated with increasing its supply cap.

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Liquidity

USDT's liquidity on ZkSync has improved substantially in the past two weeks and is sufficient to support a supply cap increase.

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Recommendation

Given user behavior and on-chain liquidity, we recommend increasing the supply cap to 6M USDT. We do not recommend increasing the borrow cap at this time because of its low utilization.

Specification

Chain

Asset	Current Supply Cap	Recommended Supply Cap	Current Borrow Cap	Recommended Borrow Cap
ZkSync				
USDT	3,000,000	6,000,000	2,700,000	-

Next Steps

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

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