

# Summary

A proposal to increase Supply and Borrow Cap for FDUSD on BNBChain

## Motivation

The supply cap for FDUSD on BNBChain V3 is currently at 100% utilization due to the recent introduction of liquidity mining incentives for borrowers. The recommendations below were made utilizing Chaos' supply and borrow cap methodologies and after analyzing user positions for each asset.

## Liquidity and Market Cap

The current total market cap of FDUSD has increased smoothly over the last few months, sitting at \$3.3B today.

The majority of volume, and thus liquidity, resides on centralized exchanges such as Binance, with a 7-day weighted average volume of 1.6B.

## FDUSD Usage on Aave

Based on the current distribution of debt collateralized by FDUSD, totaling \$3.21M, with \$3M in various stablecoins utilized for recursively generating FDUSD rewards and the remaining \$210,000 denominated in ETH, there is a little dependency on on-chain liquidity. In light of this distribution and following our supply caps model, we propose a 50% increase in the supply cap to 12M. Simultaneously, we recommend adjusting borrow caps to 10.8M. These modifications will align borrow cap values with the Uoptimal threshold, as per the adjusted supply caps, ensuring a balanced and optimized approach to managing liquidity and risk within the Aave protocol.

## Specification

## Next Steps

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

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