

Summary

A proposal to:

- Increase USDC's supply cap on Aave's Scroll deployment.
- Increase WETH's supply and borrow caps on Aave's Scroll deployment.
- Increase wstETH's supply and borrow caps on Aave's Scroll deployment.

Motivation

USDC (Scroll)

USDC has reached 96% utilization of its supply cap on Scroll, and its borrow cap is at 33% capacity.

Supply Distribution

Most top USDC suppliers also borrow WETH, with only a few maintaining deposit-only positions. The largest USDC supplier represents a significant proportion of the total market, contributing over 50% of the supply. The largest open positions have moderate liquidation risk due to the moderate volatility of WETH and its pairing with the stable USDC.

Overall, WETH represents 78% of the value borrowed against USDC.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing the supply cap and leaving the borrow cap unchanged.

WETH (Scroll)

WETH has reached 100% utilization of its supply cap on Scroll, and its borrow cap is at 87% capacity.

Supply Distribution

Most of the top WETH suppliers maintain deposit-only positions, with only a few borrowing USDC or wstETH. The largest WETH supplier represents a significant proportion of the total market, contributing nearly \$3M in supply. The largest open positions generally have low liquidation risk, as they are primarily supply-only positions with no associated borrows, while the few positions with borrows involve relatively stable assets like USDC or closely correlated assets like wstETH.

Overall, USDC represents 57% of the value borrowed against WETH.

Borrow Distribution

The majority of top WETH borrowers use wstETH as collateral. The total supply and borrow is fairly distributed across wallets, with no single borrower dominating the market but four main whales. The largest open positions have low liquidation risk.

Large WETH borrowers typically deposit wstETH as collateral.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing both the supply and borrow caps.

wstETH (Scroll)

wstETH has reached full supply and borrow cap utilization on Scroll.

Supply Distribution

Most top wstETH suppliers borrow WETH, with a few maintaining deposit-only positions. The total supply is fairly distributed across wallets, with the largest supplier contributing around \$13M. The largest open positions have relatively low risk of liquidation given the correlation of wstETH and ETH.

Overall, WETH represents 96.31% of the value borrowed against wstETH.

Borrow Distribution

The top wstETH borrowers predominantly use WETH as collateral, with minimal USDC usage. The largest borrower represents a significant portion of the total market, holding over \$2 million in WETH collateral compared to much smaller positions for other users.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing both the supply and borrow caps.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Scroll

USDC

30,000,000

40,000,000

26,000,000

-

Scroll

WETH

18,000

30,000

14,400

27,000

Scroll

wstETH

12,000

16,000

360

720

Next Steps

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

For transparency, we aim to execute the risk steward transaction on July 3rd at 3 pm GMT

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