

Summary

A proposal to increase the following caps on V3 Ethereum:

- Supply cap for LUSD
- Supply and Borrow cap for USDT

Motivation

The recommendations below were made utilizing Chaos' supply and borrow cap methodologies and after analyzing user positions for each asset.

LUSD

The supply cap for LUSD on V3 Ethereum is currently at near 100% utilization.

Please note there is a single [account](#) currently supplying nearly 60% of all LUSD, utilizing it to borrow mainly USDT and USDC, with a health score of 1.62.

Considering the market's concentrated nature, our recommendation is to raise the supply cap by 1.5X. This adjustment would allow for further analysis of additional usage before considering a more aggressive increase. However, we do not advise increasing the borrow cap, as the current utilization remains low.

USDT

The supply and borrow caps for USDT on V3 Ethereum are currently at 88% and 73% utilization, respectively.

We recommend doubling both supply and borrow caps.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

LUSD

12,000,000

18,000,000

8,000,000

No Change

Ethereum

USDT

300,000,000

600,000,000

250,000,000

500,000,000

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.