

# Summary

A proposal to:

- increase the WETH supply and borrow caps.
- increase the USDC supply and borrow caps.

## WETH

### Motivation

WETH's supply and borrow caps stand at 96% and 69% utilization, respectively.

### Supply Distribution

Most of the top suppliers are borrowing USDC against WETH collateral. These positions are at risk of liquidation should ETH's price drop sufficiently.

USDC is by far the most commonly borrowed asset against WETH collateral, standing at over 90%.

### Borrow Distribution

The two largest borrows of WETH are against USDC collateral.

These positions are at risk of liquidation should ETH's price increase.

### Recommendation

Given the on-chain liquidity and user positions, we recommend a 50% increase in both borrow and supply caps, to 18K ETH and 9K ETH, respectively.

## USDC

### Motivation

USDC's supply and borrow caps stand at 79% and 70% utilization, respectively, following consistent growth in both.

### Supply Distribution

The two top suppliers are the users mentioned above, while some other top suppliers do not borrow against their USDC.

WETH represents virtually all borrows against USDC collateral.

### Borrow Distribution

USDC borrows are comparatively well distributed.

Nearly all of the collateral assets against USDC are WETH or ETH LSTs.

### Recommendation

Given the on-chain liquidity and user positions, we recommend doubling the supply and borrow caps.

## Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Base

WETH

12,000

18,000

6,000

9,000

Base

USDC

30,000,000

60,000,000

27,000,000

54,000,000

## Next Steps

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

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