

Summary

A proposal to:

- Increase osETH's supply cap on the Ethereum Core instance.
- Increase wstETH's supply cap on the ZkSync instance.

osETH (Ethereum Core)

The supply cap for osETH on Ethereum has reached 96% utilization.

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Supply Distribution

The top supplier of osETH accounts for 35% of the total distribution, presenting concentration risk. However, since this position is borrowing WETH, the liquidation risk is significantly reduced.

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All remaining top suppliers are either borrowing WETH or maintaining a high health score (>3.9), thus presenting limited liquidation risk at the moment.

The largest borrowed asset against osETH is WETH, accounting for approximately 96% of the borrowed asset distribution, significantly reducing the likelihood of large-scale liquidations.

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Liquidity

osETH's liquidity has remained stable over the past three months. Currently, a 6k osETH sell to USDC incurs less than 3% price slippage.

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Recommendation

Based on user behavior and on-chain liquidity, we recommend doubling the supply cap.

wstETH (ZkSync)

The supply cap for wstETH on ZkSync has reached 98% utilization, while its borrow cap utilization stands at 55%.

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Supply Distribution

The distribution of wstETH is not concentrated, as the top wstETH supplier accounts for around 10% of the overall distribution.

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Among the ten top suppliers, eight are borrowing WETH, which significantly reduces liquidation risk. The remaining two positions are borrowing USDC or ZK. However, both of these positions maintain reasonable health scores above 1.3 and are actively managing their positions, meaning they do not present significant risk at the moment.

The largest borrowed asset against wstETH is WETH, representing 88% of the total distribution, which aligns with our earlier analysis of top supplier behavior.

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Recommendation

Based on user behavior and on-chain liquidity, we recommend increasing the supply cap to 2.1K wstETH.

Specification

Instance

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap	
Recommended Borrow Cap	
Ethereum Core	
osETH	
20,000	
40,000	
1	
-	
ZkSync	
wstETH	
1,800	
2,100	
240	
-	

Next Steps

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

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