

Summary

A proposal to increase caps for the following assets on Metis:

- m.USDC - Supply and Borrow Cap
- m.USDT - Supply and Borrow Cap
- DAI - Supply and Borrow Cap
- WETH - Supply and Borrow Cap
- METIS - Supply Cap

Motivation

Several assets on Metis have reached high supply and borrow levels. The recommendations below were made utilizing Chaos' supply and borrow cap methodologies and after analyzing user positions for each asset.

Stablecoins

The following supply and borrow caps utilization have been reached:

- m.USDC - 99% supply cap, 79% borrow cap
- m.USDT - 100% supply cap, 96% borrow cap
- m.DAI - 89% supply cap, 76% borrow cap

Utilizing our stress testing framework, we do not observe VaR while increasing the caps for these assets, as the main use case observed is looping the same asset to earn incentives. Given this, we recommend capping the supply caps of stablecoins to 75% of their respective on-chain circulating supply.

WETH:

The supply cap for WETH on Metis V3 is currently at 100% utilization, with the borrow cap sitting at 84% utilized.

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Considering the liquidity and the overall usage on Metis we recommend doubling the supply and borrow cap and setting them at 1,200 and 720, respectively.

Borrow Distribution:

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METIS

The supply cap for METIS on Metis V3 is currently at 85% utilization.

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As Metis is listed as a non-collateral asset, we recommend setting the supply cap to 600k METIS. As there is a low demand for borrowing METIS, we do not recommend increasing the cap at this time.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Metis

m.USDC

10,000,000

14,500,000

9,000,000

13,000,000

Metis

m.USDT

8,000,000

12,000,000

7,200,000

11,000,000

Metis

m.DAI

1,100,000

1,240,000

950,000

1,110,000

Metis

WETH

600

1,200

360

720

Metis

METIS

400,000

600,000

32,000

No Change

Next Steps

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

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