Summary

A proposal to increase:

Ethereum

- BAL - supply cap

- SNX - supply and borrow cap

Arbitrum

- LINK - supply cap

Polygon

- MaticX - supply and borrow

Motivation

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

Please note that there are several other assets across V3 deployments with high supply and borrow cap utilization that were analyzed and do not have recommendations for an increase, given current market conditions. We maintain continuous monitoring of protocol usage and adjust our recommendations in response to evolving market conditions based on our simulations.

Ethereum

SNX

The supply cap for SNX on Ethereum V3 is currently at 98% utilization.

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The recent increase in SNX supply is due to a singleuser supplying ~1.28M SNX, amounting to over 65% of the total SNX supply. The user is currently borrowing over 1.4M in stables against his SNX collateral.

Utilizing our supply cap methodology and given the debt ceiling set, we do not observe excess risk when increasing the supply cap for SNX on Ethereum. However, given the current concentration in a single user, we recommend a modest increase of the supply cap to 3M SNX.

BAL

The supply and borrow cap for BAL on Ethereum V3 are currently at 90% and 71% utilization.

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Utilizing our supply cap methodology and given the debt ceiling set, we do not observe excess risk when increasing the supply cap for BAL on Ethereum. We recommend doubling the supply cap to 1.4M and the borrow cap to 370K

Arbitrum

LINK

The supply cap for LINK on Arbitrum V3 is currently at 84% utilization.

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Our methodology recommends capping the supply at 50% of the total circulating on-chain supply. With the circulating supply on Arbitrum at ~3.63M LINK, we recommend increasing the supply cap to 1.8M. Utilizing our supply cap methodology, we do not observe excess risk with this increase.

Specification

Chain	Asset	Current Supply Cap	Recommended Supply Cap	Current Borrow Cap	Recommended Borrow Cap
Ethereum	SNX	2,000,000	3,000,000	1,100,000	No Change
Ethereum	BAL	700,000	1,400,000	185,000	370,000
Arbitrum	LINK	1,600,000	1,800,000	484,500	No Change

Next Steps

Once we receive feedback from @Gauntlet on the above recommendations, we will move forward to implement these updates via the Risk Steward process.

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