

# Summary:

A proposal to increase USDC supply and borrow caps and WETH supply cap on Base V3

## Motivation:

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

### USDC

The supply cap for USDC on Base V3 is currently at 76% utilization, while the borrow cap utilization stands at 79%.

Utilizing our supply cap methodology, we have determined that the current state of the asset on Base allows for an increase in the supply cap of USDC, to 15M, alongside an equivalent borrow cap increase to 13.5M.

## Borrow Distribution

There are currently a total of \$5M of WETH-denominated assets borrowed against USDC on Aave Base V3, or 64% of the current supplied USDC.

### Top Suppliers

The USDC market primarily consists of two significant positions, which collectively account for 88% of all supplied USDC. These positions exhibit relatively low health factors due to WETH debt growth in dollar terms in the last few months. Although the recent surge in ETH prices has increased the risk associated with these positions, the current on-chain liquidity distribution is adequate to execute liquidations in the event of continuous price appreciation of the underlying debt asset without corresponding debt repayments.

### WETH

The supply cap for WETH on Base V3 is currently at 88% utilization

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Utilizing our supply cap methodology, we recommend an increase in the supply cap of WETH to 8k.

## Borrow Distribution

At this time, over 88% of assets borrowed against WETH are stablecoins, as can be seen in the graphs below

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# Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Base

USDC

10,000,000

15,000,000

9,000,000

13,500,000

Base

WETH

5,000

8,000

4,000

No Change

## Next Steps

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

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