Summary

A proposal to:

- Increase LBTC's supply caps on the Ethereum Core instance.

LBTC (Ethereum Core)

The supply cap for LBTC has reached 100% utilization.

[

image - 2025-02-01T003854.749

1640×200 21 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/1/1bc7277f4c9b29abaac3dd4e9fcfb718752b7881.png)

[

image - 2025-02-01T003857.376

1638×564 26 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/0/0b0be591269c3581c8d5d30214404bc25bf2b12a.png)

Supply Distribution

The supply of LBTC is somewhat concentrated, with the largest user accounting for 377 LBTC out of 800 total. However, the top three suppliers are all borrowing BTC-correlated assets against their collateral, significantly reducing the likelihood of liquidations.

[

image - 2025-02-01T003900.225

1636×678 47.5 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/7/70b18ef30f464005a79000fe46c339a0a0a06a51.png)

Overall, uncorrelated borrowing is relatively limited, with USDC being the most popular uncorrelated debt asset.

[

image - 2025-02-01T003903.639

1640×674 42.4 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/2/227f3fc6521279122139ef1ea9dfa7e7212b6313.png)

Liquidity

LBTC's liquidity against USDC has been relatively stable and is sufficient to support a supply cap increase.

[

image - 2025-02-01T003906.374

1200×800 110 KB

](https://europe1.discourse-cdn.com/flex013/uploads/aave/original/2X/5/5cdd0c399279cb8a17cc219a89cdf0ee9cbeb857.png)

Recommendation

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

Specification

Instance

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum Core

LBTC

800

1,600

1

-

Next Steps

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

Disclaimer

Chaos Labs has not been compensated by any third party for publishing this ARFC.

Copyright