

Summary

A proposal to:

- Increase cbETH's borrow caps on Aave's Base deployment.
- Increase wstETH's borrow cap on Aave's Base deployment.
- Increase wstETH's supply and borrow caps on Aave's Scroll deployment.
- Increase sUSD's supply and borrow caps on Aave's Optimism deployment.

Motivation

cbETH (Base)

cbETH is at 54% supply cap utilization on Base, with its borrow cap at 100% capacity.

Supply Distribution

Most of the top cbETH suppliers borrow WETH or USDC, with a few maintaining deposit-only positions. The total supply is fairly distributed across wallets without a single supplier dominating the market.

Overall, WETH represents 68.04% of the value borrowed against cbETH.

Borrow Distribution

The top cbETH borrower uses weETH as collateral. While the largest borrower represents an outsized proportion of the total market, outside of an extreme tail event, the largest open position has low liquidation risk, as both the borrowed asset (cbETH) and the primary collateral (weETH) are closely correlated ETH derivatives.

In aggregate, weETH represents 49.34% of the value backing cbETH loans.

Recommendation

Given user behavior and the fact that cbETH's borrow cap was initially set conservatively relative to cbETH's supply cap, we recommend increasing the borrow cap 100% to 800 cbETH.

wstETH (Base)

wstETH has reached 41% supply cap utilization on Base, and its borrow cap is at 100% capacity.

Supply Distribution

Most of the top wstETH suppliers borrow WETH, with a few borrowing USDC or maintaining deposit-only positions. The largest wstETH supplier represents a significant portion of the total market, with supply fairly distributed among the remaining wallets. The largest open positions have low liquidation risk, as the supplied wstETH and borrowed WETH are closely correlated assets.

Borrow Distribution

The top wstETH borrowers primarily use weETH as collateral, with some also using WETH. The largest borrower represents a significant portion of the total market, though the largest open positions have low liquidation risk due to the close correlation between the borrowed wstETH and the supplied weETH/WETH collateral.

In aggregate, weETH represents 67.68% of the value backing wstETH loans.

Recommendation

Given user behavior and on-chain liquidity, we recommend increasing wstETH's borrow cap by 100% to 800 wstETH.

wstETH (Scroll)

wstETH has reached 100% supply cap utilization on Scroll, and its borrow cap is at 100% capacity.

Supply Distribution

Most of the top wstETH suppliers borrow WETH, with a few maintaining deposit-only positions. The largest wstETH suppliers represent a significant portion of the total market, making supply somewhat concentrated among the top wallets. The largest open positions have low liquidation risk, as wstETH and WETH are closely correlated assets.

Overall, WETH represents 98.19% of the value borrowed against wstETH.

Borrow Distribution

Most top wstETH borrowers use WETH as collateral, with some also using USDC. The largest borrower represents a significant portion of the total market, but there is still distribution across multiple wallets. The largest open positions have low liquidation risk due to the close correlation between wstETH and WETH, which are both Ethereum-based assets.

In aggregate, WETH represents 90.11% of the value backing wstETH loans.

Recommendation

Given on-chain liquidity and user behavior, we recommend increasing wstETH's supply cap by 10% to 19,000 (capping supply at 75% of wstETH's current on-chain supply, 25,000). Further, we recommend increasing its borrow cap by 50%.

sUSD (Optimism)

sUSD has reached 99% supply cap utilization on Optimism, and its borrow cap is at 70% capacity, after a resurgence in sUSD deposits & borrows over the past few weeks.

Supply Distribution

Most top sUSD suppliers maintain deposit-only positions, with a few borrowing small amounts of USDC or USDC.e. The largest sUSD supplier represents an outsized proportion of the total market. The majority of the largest open positions have no liquidation risk as they are supply-only, meaning that even in the event of another [sUSD depeg](#), few large wallets would become eligible for liquidation in the current market.

Overall, USDC represents 84.38% of the value borrowed against sUSD, though total sUSD-collateralized borrows remains very small relative to the total supply.

Borrow Distribution

Most top sUSD borrowers use USDC as their primary collateral, with some also using WETH. We view these USDC positions as low-risk, given the quality of the collateral and correlation of the assets.

In aggregate, USDC represents 54.22% of the value backing sUSD loans.

Recommendation

Given the nature of sUSD activity on Aave, we support increasing sUSD's supply and borrow caps.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Base

cbETH

3,000

-

400
800
Base
wstETH
14,000

-
400
800
Scroll
wstETH
17,500
19,000
2,800
4,200

Optimism
sUSD
7,000,000
11,000,000
5,600,000
10,000,000

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

Copyright and related rights waived via [CC0](#)