

# Summary

A proposal to increase:

## Ethereum

- USDT - supply and borrow cap
- FXS - supply cap

# 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

### USDT

The supply and borrow cap for USDT on Ethereum V3 are currently at 86% and 83% utilization.

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The recent increase in USDT borrows is mainly attributed to this[account](#), which has borrowed 60M USDT against ~\$110M WETH collateral.

Furthermore, there has been an increase in USDT supply, with a total of 80 million USDT added by eight distinct accounts, each supplying 10 million USDT. These accounts are currently not borrowing against their collateral. Given the size and timing of these deposits, we can assume they are connected and will continue monitoring the supply and borrow distribution ahead of additional recommendations.

Given the current supply and borrow distribution and in line with our methodologies, we recommend increasing the supply and borrow caps to 800M and 750M, respectively.

### FXS

The supply cap for FXS on Ethereum V3 is currently at 84% utilization.

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The recent increase in FXS supply is due to a single[user](#) supplying ~656.65K FXS, amounting to over 97% of the total supply. The user is currently not borrowing against his collateral.

Utilizing our supply cap methodology and given the debt ceiling set, we do not observe excess risk when increasing the supply cap for FXS on Ethereum. However, given the current concentration in a single user, we recommend a modest increase of the supply cap to 1.2M FXS.

# Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

FXS

800,000

1,200,000

500,000

No Change

Ethereum

USDT

600,000,000

800,000,000

550,000,000

750,000,000

## 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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