

# Summary

A proposal to:

- Increase USDC's supply and borrow caps
- Increase WETH's supply and borrow caps

## Motivation

The following recommendations were made using Chaos' supply and borrow cap methodologies after analyzing user positions for the asset.

### USDC

USDC's supply and borrow caps stand at 85% and 93% utilization, respectively.

#### Supply Distribution

Total supply and borrow have grown significantly since the asset was listed on Scroll.

The largest [supplier](#) supplies \$2.3M of the \$3.4M USDC in the market. They are borrowing \$1.6M WETH against this collateral, with a health score of 1.15. Should WETH's price increase, this position would be at risk of liquidation.

However, on-chain liquidity does not indicate that this would put the protocol at risk. Additionally, this is virtually the only borrowing against USDC collateral.

#### Borrow Distribution

The top borrowers of USDC are relatively well distributed, with WETH being the most popular collateral against USDC borrows.

### Recommendations

Given the composition of user positions and on-chain liquidity, we recommend increasing the supply cap to 5M and doubling the borrow cap to 3.6M. While the supply cap could be increased further, we recommend a modest increase in this proposal to minimize the spread between the supply and borrow caps.

### WETH

WETH's supply and borrow cap utilization stands at 83% and 99%, respectively.

Borrows have grown significantly in the past month.

#### Supply Distribution

The top suppliers of WETH are well distributed, with most carrying health scores between 1 and 2.

USDC represents the vast majority of assets borrowed against WETH collateral.

#### Borrow Distribution

The largest borrower is the same user discussed above. Because of this position, significant collateral is at risk should WETH's price breach \$4,100.

However, as discussed above, the on-chain liquidity at this time is sufficient to liquidate this position without risk to the protocol.

### Recommendations

Given the composition of user positions and on-chain liquidity, we recommend increasing the supply cap to 2K WETH and the borrow cap to 1.2K WETH. While the supply cap could be increased further, we recommend a modest increase in this proposal to minimize the spread between the supply and borrow caps.

## Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Scroll

USDC

4,000,000

5,000,000

1,800,000

3,600,000

Scroll

WETH

1,500

2,000

600

1,200

## Next Steps

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

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