Summary

A proposal to increase the supply and/or borrow caps on the following markets:

- USDC on Scroll

- WETH on Scroll

- wstETH on Scroll

Motivation

Aave was recently added to Scroll's Sessions campaign, which awards 'Marks' to users who deposit assets into Aave's markets.

Coupled with Aave's organic deposit growth on Scroll, all markets have grown rapidly, calling for cap increases.

USDC (Scroll)

USDC has reached its supply cap on Scroll following a surge in deposits; its borrow cap stands at 43% utilization.

Supply Distribution

Supply is well distributed, with the top supplier representing just 3.5% of the total market. Most of the top 10 suppliers are not borrowing any assets against collateral, implying minimal risk of liquidation. However, the largest supplier is borrowing WETH against USDC and wstETH collateral, with a low health score of 1.06. This user has been quite active in managing their position, likely reducing the risk of liquidation.

Collateral at risk would exceed $500,000 if USDC's price fell to $0.80, while on-chain liquidity would likely facilitate efficient liquidations of these positions.

Borrow Distribution

Borrows are also well distributed, and the largest are primarily against WETH and wstETH collateral, putting these positions at risk of liquidation should ETH's price fall. However, on-chain liquidity would likely support efficient liquidation of these positions.

Recommendation

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

WETH (Scroll)

WETH has reached its supply and borrowing caps on Scroll following a rapid increase in supply and borrowing demand.

Supply Distribution

Supply is also well distributed, with the top two suppliers not borrowing against their deposits; in its current state, this market is at limited risk for large-scale liquidations.

Borrow Distribution

Borrows are concentrated, with the top two borrowers borrowing $8.7M and $8.2M, respectively. However, they are borrowing against wstETH, putting these positions at limited risk of liquidation.

Recommendation

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

wstETH (Scroll)

Motivation

wstETH has reached its supply and borrow caps on Scroll, calling for increases to both.

Supply Distribution

The top two suppliers are responsible for $9.7M and $9M in deposits, respectively. They are borrowing WETH against their collateral, putting these positions at limited risk of liquidation. Only two users in the top 10 are borrowing USDC against wstETH collateral.

Borrow Distribution

Borrows of wstETH are small and relatively concentrated in one user, borrowing $263K against $332K WETH; this position is at limited risk of liquidation.

Recommendation

Given user behavior and supply and borrow distribution, we recommend increasing the supply cap — noting that we are limited by on-chain supply — and doubling the borrow cap.

Specification

Chain	Asset	Current Supply Cap	Recommended Supply Cap	Current Borrow Cap	Recommended Borrow Cap
Scroll	USDC	15,000,000	30,000,000	13,000,000	26,000,000
Scroll	WETH	9,000	18,000	7,200	14,400
Scroll	wstETH	8,000	12,000	180	360

Next Steps

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

For transparency, the transaction for this proposal will be executed on June 28 at 11 am GMT.

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