

Summary

A proposal to:

- Increase WETH's supply and borrow caps on the ZkSync instance.

WETH (ZkSync)

WETH's supply cap on ZkSync has reached 93% utilization, and its borrow cap is fully utilized at 100%.

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Supply Distribution

The top supplier of WETH accounts for 15% of the total distribution, presenting only a minor concentration risk. Additionally, since this position is collateralizing wstETH and WETH to borrow WETH, the liquidation risk is significantly reduced.

Among the remaining top suppliers, only one position does not involve borrowing correlated assets. However, it maintains a high health score (>2), which does not present any significant liquidation risk at the moment.

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Currently, WETH is the largest borrowed asset against WETH, accounting for 65.73% of the total distribution. This significantly reduces the likelihood of large-scale liquidations.

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Borrow Distribution

The borrow distribution of WETH is fairly well-distributed, with all top positions involving collateralizing WETH and wstETH, which reduces liquidation risk.

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The top two collateral assets against WETH are WETH itself and wstETH, accounting for 98.76% of the total distribution. This aligns with our analysis of the top borrowers.

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Liquidity

The liquidity of WETH has increased over the past two weeks. Currently, a 400 WETH sell incurs less than 3% slippage.

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Recommendation

Based on user behavior and on-chain liquidity, we recommend increasing the supply cap to 13K and the borrow cap to 7.2K.

Specification

Instance

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

ZkSync

WETH

6,800

13,000

3,600

7,200

Next Steps

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

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