Summary

A proposal to increase the supply and borrow caps on WETH and wstETH on V3 Scroll

Motivation

WETH (Scroll)

WETH supply cap is at 100% utilization with the borrow cap utilization at 58%

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Supply Distribution

The top two suppliers are responsible for 33% of the total supply, making the market relatively distributed. They are each borrowing USDC against their WETH collateral, with health scores of 1.32 and 2.39, respectively.

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There is relatively little collateral at risk for the market in its current state, and collateral at risk does not increase sharply until ETH drops below $2,6500.

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Recommendation

Given on-chain liquidity and user behavior, we recommend increasing the supply and borrow cap by 50%.

wstETH (Scroll)

wstETH supply cap is at 100% utilization with the borrow cap utilization at 56%

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Supply Distribution

The top supplier is responsible for 25% of the total supply, borrowing $1.85M in WETH against his $2.06M wstETH collateral, putting the position at minimal risk of liquidation.

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In addition, two suppliers within the top ten are borrowing USDC against wstETH, exposing these positions to higher liquidation risk. Collectively, there is $788K in USDC borrowed against wstETH. These positions would be liquidated effectively, given current liquidity levels.

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Recommendation

Given on-chain liquidity and user behavior, we recommend doubling the supply cap with no change to the borrow cap

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Scroll

WETH

3,000

4,500

2,400

3,600

Scroll

wstETH

2,000

4,000

90

No Change

Next Steps

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

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