Summary

A proposal to increase the supply cap of USDC.e on V3 Polygon.

Motivation

A proposal to onboard native USDC to Polygon was executed on AIP-409. The proposal reduced USDC.e supply caps to limit new deposits on Polygon, promoting the migration to the native version. As a result of this proposal's implementation, the supply cap for USDC.e was set at 40M, with a total supply of 44.07M.

Concurrently, AIP-414, a treasury management proposal for migrating DAO assets from V2 to V3 on Polygon, was approved. This plan involves transferring 2.34M USDC.e to V3. However, the current supply and supply cap constraints make the execution of this proposal unfeasible.

To enable this transaction, we recommend increasing the supply cap of USDC.e to 48M through the Risk Steward process. Moreover, a secondary transaction will be initiated to execute the payload of AIP-414, ensuring the new supply cap is not immediately exceeded following the increase.

Additionally, to preserve the balance in utilization ratios, we recommend increasing the borrow cap in proportion to the supply cap increase. This step is crucial to maintain the equilibrium of borrow rates following these changes.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Polygon

USDC.e

40,000,000

48,000,000

36,000,000

43,500,000

Next Steps

As @gauntlet has approved this proposal, we will move forward to implement these updates via the Risk Steward process.

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