

Summary

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

Scroll

- USDC supply and borrow caps
- WETH supply and borrow caps
- wstETH supply and borrow caps

Optimism

- OP supply and borrow caps

Motivation

USDC (Scroll)

USDC has reached 74% supply cap utilization on Scroll, and its borrow cap is at 58% capacity.

Supply Distribution

The top USDC suppliers show a mix of deposit-only positions and borrowing activity, primarily of WETH. Total USDC supply appears fairly distributed across wallets, with no single supplier dominating the market. The largest open positions generally have low liquidation risk, as they involve fairly stable assets (USDC & WETH) and many are either supply-only or have identical assets supplied and borrowed.

Overall, WETH represents 64.37% of the value borrowed against USDC.

Borrow Distribution

The vast majority of top USDC borrowers use WETH as collateral, with some also using USDC or wstETH. The total USDC borrow is fairly distributed across wallets, though two large whales dominate. The largest open positions carry moderate liquidation risk due to the use of WETH (moderately volatile) as collateral against borrowed USDC (stable).

Overall, WETH represents 83.99% of the value backing USDC loans.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing both USDC's supply and borrow caps.

WETH (Scroll)

WETH has reached 93% supply cap utilization on Scroll, and its borrow cap is at 60% capacity.

Supply Distribution

Most top WETH suppliers also borrow USDC, with a few maintaining deposit-only positions. The total WETH supply is fairly distributed across wallets, with the largest suppliers representing significant but not outsized proportions. The largest open positions have moderate liquidation risk due to the volatility of WETH compared to USDC, though this risk is absent for supply-only positions.

Overall, USDC represents 71.63% of the value borrowed against WETH.

Borrow Distribution

The top 10 WETH borrowers all use wstETH as collateral, with minimal USDC usage. The largest borrowers represent a significant portion of the market, with the top two accounts each borrowing around \$10 million in WETH. These positions carry moderate liquidation risk due to the use of wstETH (an ETH derivative) as collateral for WETH borrowing, which are closely correlated assets with moderate volatility.

Overall, wstETH represents 88.93% of the value backing WETH loans.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing WETH's supply and borrow caps by roughly 25%.

wstETH (Scroll)

wstETH has reached 100% supply cap utilization on Scroll; its borrow cap is also at 100% capacity.

Supply Distribution

Most top wstETH suppliers borrow WETH, with only a few maintaining deposit-only positions. Total supply is fairly concentrated in the top five wallets. The largest open positions have moderate liquidation risk due to the moderate volatility of both wstETH and WETH, which are closely correlated ETH derivatives.

Overall, WETH represents 97.48% of the value borrowed against wstETH.

Borrow Distribution

The top wstETH borrowers exclusively use WETH as collateral. The largest borrower represents a significant portion of the total market, accounting for approximately 40% of the borrowing activity. These positions carry low liquidation risk.

Overall, WETH represents 94.84% of the value backing wstETH loans.

Recommendation

We recommend increasing wstETH's supply cap to 16,500 — noting that we are limited by wstETH's total supply on Scroll — and doubling its borrow cap.

OP (Optimism)

OP has reached 95% supply cap utilization on Optimism, and its borrow cap is at 59% capacity.

Supply Distribution

Most top OP suppliers borrow stablecoins or WETH against it. The largest OP supplier represents a significant proportion of the total market, contributing over \$2 million in supply. These positions are significantly over-collateralized, an important factor given the volatility of OP.

Overall, USDC represents 41.74% of the value borrowed against OP.

Borrow Distribution

The top OP borrowers primarily use wstETH or stablecoins as collateral, with some also using USDT or a combination of both. Total supply and borrow is fairly distributed across wallets. The largest open positions have moderate liquidation risk due to the use of wstETH as collateral against OP borrows, as wstETH has moderate volatility while OP is an altcoin with higher volatility.

In aggregate, wstETH represents 24.82% of the value backing OP loans.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing OP's supply and borrow caps by 30%.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Scroll

USDC

40,000,000

50,000,000

26,000,000

45,000,000

Scroll

WETH

30,000

37,000

27,000

34,000

Scroll

wstETH

16,000

16,500

720

1,440

Optimism

OP

10,000,000

13,000,000

1,000,000

1,300,000

Next Steps

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

For transparency, we aim to execute the risk steward transaction on July 9th at 11 am GMT

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