

# Summary

A proposal for increasing the wstETH Supply Cap on [v3:Ethereum] from 200k units to 800k units.

## Abstract

The wstETH supply cap it at it's max capacity of 200k, this is a proposal to increase supply capacity by 4x to 800k wstETH.

[AAVE v3 wstETH market on Ethereum](#)

## Motivation

The utilization of wstETH on Ethereum v3 is at 100%

wstETH is the largest supplied asset second to wETH itself (\$408M vs ETH \$476M)

wETH has a supply cap of 3.27B (16.35x higher)

wstETH wants to be the largest supplied asset but is currently capped.

With LSTs becoming derisked post shapella and post Lido v2 update, wETH as collateral will continue to decrease over time and LSTs as collateral will only increase as they are superior collateral assets.

LSTs as collateral in DeFi is the future and the supplies of LSTs will only increase over time and AAVE markets should reflect this by increasing the supply cap of wstETH. There's currently a proposal to increase wstETH supply cap on L2 which has received 100% yes votes.

## Risk Factors

The primary risk factor is a stETH:ETH depegging event.

There are a few factors which contribute to stETH staying at peg:

1. Confidence
2. Deep Liquidity
3. Ability to arbitrage

The historical peg can be found here: [stETH:ETH Peg History](#)

Post-Shapella, Lido V2 upgrade, and ability to withdraw ETH via stETH at 1:1 is a major derisking event that will help keep the peg more resilient as this directly impacts all 3 factors above which are responsible for a stable 1:1 peg.

As the stETH peg continues to be resilient it becomes more similar to the risk profile of wETH as a collateral asset in terms of it's volatility. Also as wstETH is the wrapped version the price tends to increase over time to represent the yield and thus solidifies itself as an even better asset to be supplied as collateral.

## Specification

Ticker: wstETH

Contract: [0x7f39C581F595B53c5cb19bD0b3f8dA6c935E2Ca0](#)

Parameter

Current Value

Proposed Value

SupplyCap

200k units

800k units