

# Summary

A proposal to:

- increase the wstETH supply cap on Aave V3's Polygon deployment.

## wstETH

### Motivation

wstETH has nearly reached its supply cap on Polygon following new deposits.

### Supply Distribution

Most of the top suppliers are looping WETH and wstETH, putting these positions at limited danger of liquidations.

WETH is the most commonly borrowed asset against wstETH collateral, though some users have borrowed stablecoins.

### Borrow Distribution

wstETH borrows are limited; the largest is a user who is borrowing against MATIC collateral, putting this position at risk of liquidation should MATIC's price drop or ETH's price increase.

### Recommendation

As per community decision, the upper bound on LST supply caps is 75% of circulating supply on a given chain. This limits us to recommend an increase in wstETH's supply cap to 5.75K with no change in borrow cap.

## Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Polygon

wstETH

5,250

5,750

570

No Change

## Next Steps

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

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