

Title: [ARFC] wMATIC Supply Cap Increase

Author: @llamaxyz - DeFi_Consulting(@matthewgraham), @pauljlei (Gauntlet) & @omergoldberg (@chaoslabs)

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Summary

Llama proposes increasing the wMATIC Supply Cap on Polygon to facilitate to inflow of wMATIC from Balancer Linear Pools and the Polygon Foundation Liquidity Mining campaign.

Abstract

This proposal presents Aave with the opportunity to increase the wMATIC SupplyCap from 47M to 57M units on the Polygon v3 deployment.

Looking forward, the potential inflows from new Balancer liquidity pools and migration of wMATIC from Aave v2 to v3 will exceed the current SupplyCap. Migration of the Balancer Liquidity Pools alone is expected to exceed the current SupplyCap.

An initial 10M SupplyCap increase has been proposed and this figure may be revised ahead of this proposal being submitted to AIP. This proposal has been reviewed from @ChaosLabs and Gauntlet.

Motivation

In the coming weeks, Liquidity Mining on Polygon v3 will expand beyond just MaticX deposits and Balancer will deploy several liquidity pool using bb-a-wMATIC.

The MaticX/wMATIC and stMATIC/wMATIC Balancer Liquidity pools are migrating to MaticX/bb-a-wMATIC and stMATIC/bb-a-wMATIC. An estimated 31.3M units of wMATIC are expected to be deposited into the wMATIC reserve on Polygon v3. This is expected to occur during March/April.

The utilisation of the wMATIC reserve is 42% with 19.75M of 47.00M units deposited. An inflow of 31.3M units from bb-a-wMATIC would exceed the current SupplyCap.

With Liquidity Mining about to expand on Polygon v3, it is reasonable to expect some of the 20.47M units of wMATIC deposited in v2 to migrate to v3. There is also potential new wMATIC deposits due to the Liquidity Mining rewards being distributed.

The current SupplyCap is insufficient to accomodate the potential inflows of wMATIC into the reserve. As a result, this proposal seeks to increase the SupplyCap from 47M to 57M units, a 10M increase. The 10M increase may be revised higher closer to the time of AIP being submitted, if required.

Analysis performed by Gauntlet generated a conservative and aggressive SupplyCap ceiling of 18M and 73M units respectively.

Chaos Lab's supports an initial increase of 10M units when utilisation begins to increase and follow up proposal to iteratively increase the SupplyCap to accommodate deposits.

@llamaxyz proposes increasing the SupplyCap by 10M to 57M.

This proposal will go direct to AIP and be executed prior to the Balancer pools receiving BAL emissions. However, if Liquidity Mining leads to significant wMATIC inflows, the proposed SupplyCap will be increased to accommodate the Balancer deposits.

This proposal is being shared on the forum now to enable discussion prior to submitting the AIP in the coming weeks.

Specification

The following risk parameters are being proposed and have been reviewed by Gauntlet and Chaos Labs.

Ticker: wMATIC

Contract: [0x0d500b1d8e8ef31e21c99d1db9a6444d3adf1270

](https://polygonscan.com/token/0x0d500b1d8e8ef31e21c99d1db9a6444d3adf1270)

Parameter

Current Value

Proposed Value

SupplyCap

47M units

57M units

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