

# Summary

A proposal to:

- Increase weETH's supply and borrow caps on Aave V3's Ethereum deployment.

## Motivation

### weETH (Ethereum)

Following the [community decision](#) signaling a positive sentiment towards more aggressive exposure to weETH, we are prepared to facilitate additional cap increases via the caps steward.

weETH has reached its supply cap on Ethereum, while its borrow cap stands at 75% utilization.

### Supply Distribution

Each of the top 10 suppliers is looping weETH, either with WETH or with itself. These positions are at limited risk of liquidation given the calculated oracle for weETH.

Following the last cap increase, there were 40 deposits of 100 weETH or more, with the 17 largest deposits associated with a single [wallet](#) that has been active for 9 days and is now borrowing \$64.2M WETH against \$66.2M weETH.

Overall, WETH and weETH represent 99.72% of the value borrowed against weETH, up from 98.52% at the time of our last recommendation.

### Borrow Distribution

The largest [borrower](#) is borrowing weETH and WETH against WETH; the rest of the top ten exhibits similar behaviors. This borrowing profile presents limited risk to the market, given the correlation between weETH and WETH.

### Recommendation

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

## Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

weETH

300,000

375,000

80,000

100,000

## 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 at 5pm GMT

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