

Summary

A proposal to:

- Increase weETH's supply and borrow cap on Aave V3's Ethereum deployment
- Increase weETH's borrow caps on Aave V3's Arbitrum deployment
- Increase weETH's supply and borrow caps on Aave V3's Base deployment

Motivation

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 (Ethereum)

weETH has reached its supply cap on Ethereum, while its borrow cap stands at 85% utilization.

Supply Distribution

All 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.

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Overall, WETH and weETH represent 99% of the value borrowed against weETH.

Borrow Distribution

The largest [borrower](#) is borrowing against a combination of WETH and wstETH; the rest of the top 10 exhibit similar behavior, borrowing primarily against weETH collateral

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Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing the supply cap by 25k and the borrow cap by 40k, representing 35% of the supply cap.

weETH (Arbitrum)

Motivation

The Arbitrum weETH market has reached full supply and borrow utilization following a recent increase in both caps.

Supply Distribution

All of the ten largest suppliers are looping weETH with ETH-correlated assets, putting this market at a relatively low risk of large-scale liquidations.

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Overall, weETH, wstETH, and WETH represent 97.7% of the value borrowed against weETH.

Borrow Distribution

The top collateral asset against weETH is weETH itself, representing 97% of total collateral. This puts weETH borrow positions at a relatively low risk of liquidation.

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Recommendation

Given current user distribution, we recommend increasing the borrow cap to 25k, representing 35% of the supply cap

weETH (Base)

Motivation

The Base weETH market has reached full supply and borrow utilization following a recent increase in both caps.

Supply Distribution

Four of the five largest suppliers, representing nearly 99% of supplied weETH are looping weETH with ETH-correlated assets, putting this market at relatively low risk of large-scale liquidations.

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Overall, weETH, and WETH represent 90.3% of the value borrowed against weETH.

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Borrow Distribution

A single [borrower](#) currently accounts for over 96% of the total weETH borrows, borrowing solely against weETH collateral.

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Recommendation

Given current user distribution, we recommend doubling the supply and borrow caps

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

weETH

375,000

400,000

100,000

140,000

Arbitrum

weETH

72,000

No Change

12,800

25,000

Base

weETH

150

300

30

60

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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