

Summary

A proposal to increase:

Arbitrum

- wstETH - Supply Cap
- rETH - Borrow Cap

Motivation

The recommendations below were made utilizing Chaos' supply and borrow cap methodologies and after analyzing user positions for each asset.

Please note that there are several other assets across V3 deployments with high supply and borrow cap utilization that were analyzed and do not have recommendations for an increase, given current market conditions. We continuously monitor protocol usage and adjust our recommendations in response to evolving market conditions based on our simulations.

Arbitrum

wstETH

The supply cap for wstETH on Arbitrum V3 is currently at 80% utilization.

Utilizing our supply cap methodology, we found no added risk with raising the supply cap for wstETH on Arbitrum. Predominantly, wstETH collateral on Aave Arbitrum V3 is being used to borrow WETH, accounting for ~71% of the wstETH supplied.

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](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/2/245e27bc19081bb054fab4871da3990fdbd963a7.png)

Our methodology recommends capping the supply at 50% of the total circulating on-chain supply. With the circulating supply on Arbitrum at ~110K wstETH, we recommend increasing the supply cap to 55,000.

rETH

The borrow cap for rETH on Arbitrum V3 is currently at 81% utilization.

Utilizing our borrow cap methodology, we do not observe any additional risk when increasing the borrow cap for rETH on Arbitrum. We recommend doubling the borrow cap to 1,360.

Please note there are three accounts currently borrowing nearly 95% of all rETH, collateralized by wstETH and USDC:

- [0xe831c8903de820137c13681e78a5780afddf7697](https://etherscan.io/address/0xe831c8903de820137c13681e78a5780afddf7697)
- [0x139c238d822a7132557727be6d442d4476e797f0](https://etherscan.io/address/0x139c238d822a7132557727be6d442d4476e797f0)
- [0xcc0ac052851e220f2f0591b75257329a667d76a3](https://etherscan.io/address/0xcc0ac052851e220f2f0591b75257329a667d76a3)

While this is a relatively significant concentration, the usage and risk profile does not impact the recommendation.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap	
Recommended Borrow Cap	
Arbitrum	
wstETH	
45,000	
55,000	
2,400	
No Change	
Arbitrum	
rETH	
3,400	
No Change	
680	
1,360	

Next Steps

Once we receive feedback from [@Gauntlet](#) on the above recommendations, we will move forward to implement these updates via the Risk Steward process.