Simple Summary

A proposal to increase supply and borrow caps for the following caps on Aave V3:

- Ethereum - wstETH

- Arbitrum - WBTC, WETH

- Optimism - WBTC, wstETH

- Polygon - LINK, WBTC

- Avalanche - WAVAX

Motivation

The objective of this proposal is to recommend updated supply and borrow caps for V3 assets that have recently reached over 75% utilization of either cap, and our methodologies allow for an increase of the caps.

The recommendations provided in this proposal were derived using Chaos Labs'Supply and Borrow Cap Methodology. Below are the data considerations and recommendations for all assets:

Ethereum

wstETH

We recommend increasing the borrow cap from 6,000 to 12,000.

Our simulations have yielded the following results:

[

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1722×1128 128 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/3/32f0ebf39491e152e2fdc36e976e704aeef26c7d.jpeg)

Arbitrum

WETH

We recommend increasing the supply cap from 35,280 to 70,000 and the borrow cap from 11,170 to 20,000.

Our simulations have yielded the following results:

[

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1952×1292 153 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/7/71200a5caa53252be0af05d469c7b54cea5d5deb.jpeg)

WBTC

We recommend increasing the supply cap from 2,100 to 4,000.

Our simulations have yielded the following results:

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1920×1254 77.2 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/c/ccecba122937eecee564e36e0065410a48722d53.jpeg)

Optimism

wstETH

We recommend increasing the supply cap from 6,000 to 12,000. It is important to note that this recommendation takes into account that we expect to introduce an ETH-correlated E-Mode on Optimism in the coming weeks, which is expected to change the composition of positions.

Our simulations have yielded the following results:

[

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1920×1304 90.5 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/2/2731c6ce7e2797fbb180f101431ed5509a2d412d.jpeg)

WBTC

We recommend increasing the supply cap from 620 to 1,200.

Our simulations have yielded the following results:

[

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1492×1132 126 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/e/eb659227b2616ab4b5a50925c92e7de89f7c424f.jpeg)

Polygon

LINK

We recommend increasing the supply cap from 297,640 to 370,000.

Our simulations have yielded the following results:

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1920×1398 98.5 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/0/013cfc0bc23902941b0855c68e5128e6ec36c057.jpeg)

WBTC

We recommend increasing the supply cap from 1,550 to 3,100. This increase will allow the migration of additional V2 positions.

Our simulations have yielded the following results:

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](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/e/e1adcb80741bdc073f4ed8ea3867976e43d0ef82.jpeg)

Avalanche

WAVAX

We recommend increasing the borrow cap from 1,200,000 to 2,400,000

Our simulations have yielded the following results:

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1920×1165 75.6 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/b/bec2d5b84ce2366e29c0426acb181d226dc3f1d9.jpeg)

Recommendations

Chain	Asset	Current Supply Cap	Recommended Supply Cap	Current Borrow Cap	Recommended Borrow Cap
Ethereum	wstETH	200,000	No Change	6,000	12,000
Arbitrum	WBTC	2,100	4,200	1,115	No Change
Arbitrum	WETH	35,280	70,000	11,170	20,000
Optimism	wstETH	6,000	12,000	940	No Change

Optimism

WBTC

620

1200

250

No Change

Polygon

LINK

297,640

370,000

163,700

No Change

Polygon

WBTC

1,550

3,100

851

No Change

Avalanche

WAVAX

3,000,000

No Change

1.2M

2.4M

Next Steps

We invite a community discussion around the proposed parameter updates and utilizing the [Aave V3 Caps Framework](#) and are targeting an AIP (Ethereum, Arbitrum, Optimism, Polygon) and Snapshot (Avalanche) for Monday, April 24th.