

title: [ARFC] wMATIC Interest Rate Update

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Summary

This publication proposes revising the wMATIC interest rate from 6.10% to 5.00% Aave v3 Polygon.

Motivation

Following on from previous discussions to reduce the wMATIC interest rate [here](#). This publication proposes reducing the Slope1 parameter from 6.10% to 5.00%. The 5.00% Slope1 parameter marginally exceeds the the current borrow rate and the two dominants LST APRs.

v3 wMATIC Borrow Rate: [4.74% APY](#) (at time of writing)

MaticX APR: [4.68%](#)

stMATIC APR: [4.30%](#)

With the current borrowing rate for wMATIC, 4.74% APY, it exceeds the LST yield. As a result, users are not generating a positive return on looping the LST and wMATIC. Reducing the Slope1 to 5.00%, keeping utilisation constant, the borrow rate APY is reduced to 3.87%. At this level, the yield maximising strategy become profitable. Reducing the Slope1 parameter is the most effective way to stimulate wMATIC borrowing demand.

Lowering the Slope1 parameter will increase the utilisation of the wMATIC reserve. The new equilibrium scenarios are shown below:

- Borrow rate 4.30% supports utilisation of 63.10%
- Borrow rate 4.68% supports utilisation of 68.55%
- Borrow rate 4.74% supports utilisation of 69.50%

For each equilibrium scenario above, the Aave DAO's revenue increases.

Reducing the Slope1 to 5.00%, keeping utilisation constant, the deposit rate falls to 1.74% on v3. This compares favourably to the 0.53% deposit rate on v2. As a result, we do not expect to see any migration from v3 to v2 and propose no changes to the v2 wMATIC interest rate strategy.

Specification

Update the interest rate strategy as per below:

wMATIC Address: [0x0d500B1d8E8eF31E21C99d1Db9A6444d3ADf1270

](<https://polygonscan.com/address/0x0d500b1d8e8ef31e21c99d1db9a6444d3adf1270>)

variableRateSlope1: From 6.10% to 5.00%

All other parameters remain the same as the [existing interest rate strategy](#).

Next Steps

1. If consensus on ARFC stage is reached, escalate to ARFC snapshot stage.
2. If ARFC snapshot stage outcome is YAE, TokenLogic will escalate to AIP stage.

Disclaimer

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