

Summary

A proposal to increase the WETH supply cap on Aave V3's Metis deployment.

Motivation

WETH has reached its supply cap on Metis following significant growth in deposits.

Supply Distribution

The top [supplier](#) in this market supplies 338 WETH and borrows 267 WETH, likely to farm METIS rewards. This represents nearly 30% of the supply and 83% of the borrows.

This position is at no risk of liquidation. Excluding this position, the majority of borrows against WETH collateral is in m.USDC. These positions are at risk of liquidation in the event ETH's price drops.

However, collateral at risk does not exceed \$100K until ETH drops to \$3,000, a nearly 20% drop from current prices.

Borrow Distribution

WETH borrows on Metis (excluding the aforementioned WETH-WETH position) are relatively limited because the Metis market does not contain any LSTs, which drive demand for WETH borrowing from looping strategies. In fact, the second largest [borrower](#) also appears to be farming METIS rewards.

Recommendations

As per our methodology, we recommend limiting the supply caps to 50% of the on-chain circulating supply of a given token. Currently, there are 2,850 WETH on Metis; based on the on-chain liquidity and user behavior, we recommend increasing the supply cap to 1,400 WETH, while not adjusting the borrow cap.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Metis

WETH

1,200

1,400

720

720

Next Steps

We will move forward and implement these updates via the Risk Steward process.

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