title: [ARFC] Ethereum v3 Supply Cap Update

shortDescription: Increase the Supply Cap for wstETH and rETH on Aave Ethereum v3

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Summary

This publication, inspired by [@DecentMuse](#)'s post [here](#), proposes increasing the wstETH and rETH Supply Cap on Aave Ethereum v3.

Abstract

The curent utilisation of wstETH and rETH is 100% and 81.43%. This publication proposes increasing the Supply Caps to enable greater deposits into Aave Ethereum v3.

Motivation

The wstETH Supply Cap has been reached and this is prevents users from entering into the recursive yield maximising strategy which drives a lot of the wETH borrow demand, and thus, revenue to Aave DAO.

With [967.08K](#) units of wstETH deposited in Aave v2, these users are unable to migrate to Aave v3.

This publication proposes to increse the wstETH Supply Cap from 200k units to 400k units. The overal reserve size would still be smaller than Aave v2 current TVL when filled. Further wstETH Supply Caps will be needed to facilitate a full migration of users funds from v2 to v3.

The rETH utilisation is currently over 80% and given the small capacity within the Supply Cap, 3.72M units, this publication seeks to increase the Supply Cap by 50% to 30,000 units. Utiilisation would then be around 54%.This will enable deposits to grow, and like wstETH, the Supply Cap can be rised again later.

Upon reviewing how the rETH deposits are being used, via the [Chaos Labs Risk Explorer](#), a 15% rETH price drop would lead to only $100k of liquidations. Only 4 wallets would be affected and the bad debt estimate was shown as $0.

With reference to the new [ARFC Aave V3 Caps update Framework](#) it is possible to ship several upgrades to gradually increasing Aave's exposure to wMATIC over time.

Specification

The following risk parameters have been proposed by Llama.

Ticker: wstETH

Contract: [0x7f39C581F595B53c5cb19bD0b3f8dA6c935E2Ca0

](https://etherscan.io/token/0x7f39c581f595b53c5cb19bd0b3f8da6c935e2ca0)

Parameter

Current Value

Proposed Value

SupplyCap

200,000 units

400,000 units

Ticker: rETH

Contract: [0xae78736Cd615f374D3085123A210448E74Fc6393

](https://etherscan.io/token/0xae78736cd615f374d3085123a210448e74fc6393)

Parameter

Current Value

Proposed Value

SupplyCap

20,000 units

30,000 units

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