

title: stMATIC SupplyCap Increase Polygon v3

shortDescription: Increase SupplyCap stMATIC on Polygon v3 from 21.0M units to 25M units.

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Summary

Llama proposes increasing the stMATIC Supply Cap on Polygon to facilitate an expansion of the stMATIC/wMATIC loop strategy.

Abstract

The utilisation of the stMATIC reserve has reached 74.4% and this proposal seeks to increase the SupplyCap to 25M units up from 21M units.

Increasing the SupplyCap will enable users to deposit stMATIC and enter the recursive stMATIC/wMATIC yield strategy.

The proposed Supply Cap for stMATIC is limited by the 50% of circulating supply concentration consideration within both Chaos Labs and Gauntlet methodologies. By sharing the proposal early, this publication hopes to encourage migration of stMATIC from Ethereum to Polygon enabling the Supply Cap to be extended beyond 25.0M.

Motivation

Over the previous months, Llama has been working with various communities to craft favourable conditions on Aave v3 Polygon to facilitate the creation of several yield aggregation products. The below proposals details are applicable to stMATIC:

- [Proposal: Add Support for stMATIC \(Lido\)](#)
- [ARFC Aave v3 Polygon wMATIC Interest Rate Update](#)
- [ARFC LDO Emission_Admin for Polygon v3 Liquidity Pool](#)
- [ARFC stMATIC & MaticX Emission_Admin for Polygon v3 Liquidity Pool](#)
- [ARFC Increase stMATIC Supply Cap](#)
- [ARFC - Chaos Labs Supply and Borrow Cap Updates - Aave V3 Polygon - 2023.03.16](#)

This proposal is a continuation of the above work.

Using the [Chaos Labs Updated Supply and Borrow Cap Methodology](#) the stMATIC Supply Cap can be increased from 21.0M units to 25.0M units. This represents approximately 50% of stMATIC Circulating Supply on Polygon, round to the nearest million units.

If the total circulating supply was used in the above calculation, then the new Supply Cap could be as high as 40.0M units. And, if we used the [1% price impact swap size, 90% of the deposit liquidated via 15% price drop methodology](#) then the new Supply Cap would then be limited by the max 2x increase, generating a new Supply Cap figure of 42.0M units.

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Screenshot 2023-04-03 at 20.51.48

1450×1044 160 KB

](<https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/4/49bfd1e71b385dc51cb109fa5d9e0d3a3b66fa2b.jpeg>)

Looking at Gauntlet's aggressive methodology, trading volume is not the highest on LSTs and if we focus on liquidity, then a 2% price impact on a swap is around 15.7M units of stMATIC. Multiply this by [10x](#) then the Supply Cap can be increased considerably. This is largely due to the calculated oracle feed making it not practical to influence spot pricing to manipulate the oracle.

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 stMATIC over time.

Specification

The following risk parameters have been proposed by Llama for the community to review and discuss in the comments section below.

Ticker: stMATIC

Contract: [polygon: 0x3a58a54c066fdc0f2d55fc9c89f0415c92ebf3c4

](<https://polygonscan.com/address/0x3a58a54c066fdc0f2d55fc9c89f0415c92ebf3c4>)

Parameter

Current Value

Proposed Value

SupplyCap

21.0M units

25.0M units

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