

Current parameters:

Supply cap: 500k sAVAX

→ 1m sAVAX

(proposed increase of supply cap)

Borrow cap: 0 sAVAX

DEX Liquidity: ~\$40m

Normal mode

:

LTV: 20%

Liquidation threshold: 30%

Liquidation penalty: 10%

E-mode

:

Asset: AVAX

Max LTV: 92.5%

Proposal

: Increase of supply cap by 100% to 1m sAVAX (~\$23m)

The current sAVAX supply cap on v3 is 500k sAVAX (~ \$11.5m) and has been reached within two weeks of listing.

Due to the efficacy of E-mode, where sAVAX can only be used as collateral to borrow AVAX, protocols built on top of aAVAsAVAX (AAVE Avalanche sAVAX) have seen extensive growth with deposits at max supply cap.

The proposal's goal is to suggest an increase of 100% to 1m sAVAX supply cap via the fast-track process as outlined [here](#).

Reasons for increase:

1. DEX Liquidity and Conversion Rate

: Despite market conditions, DEX liquidity has remained around \$40m across Platypus, TraderJoe and Pangolin. This can facilitate healthy liquidations if ever necessary. However, at the time of writing, there has not been any necessary liquidations of sAVAX on AAVE.

As Liquid Staked AVAX, there exists a pseudo peg to AVAX on secondary markets such as Platypus. Due to the nature of the asset, the conversion rate of sAVAX:AVAX has been quite closely maintained due to natural price arbitrage and a 15-days redemption window.

1. LTV and E-mode

: sAVAX has a modest LTV on normal mode, at 20%, where there exists a healthy spread of price deviation to facilitate liquidations if necessary. On E-mode, only AVAX can be borrowed against sAVAX, which is a highly correlated asset with healthy liquidity on DEXs.

1. Maturing Asset

: The cap was initially set as it was a deployment of a new pool. sAVAX has been listed for more than 2 weeks ([listed](#) 30th June 2022) and has been near supply cap since. As an asset, sAVAX is relatively mature, having launched in February 2022 and having undergone tumultuous market conditions and stress testing.

At its peak, there were over 4.27m AVAX staked within the BENQI protocol, with users claiming over 2.05m AVAX (> 46%) from the protocol on multiple occasions within days as documented by [DefiLlama](#).

We look forward to the discussion on increasing the Supply Cap of sAVAX

on v3 by 100% to 1m sAVAX and your participation in the Snapshot that will go live within 7 days of this post.