Summary

A proposal to:

- increase wstETH's supply cap on Polygon

Motivation

The following recommendations were made using Chaos' supply and borrow cap methodologies after analyzing user positions for the asset.

wstETH

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The supply and borrow caps for wstETH on Polygon V3 are currently at 100% and 34%, respectively.

The supply cap has been full since shortly after it was last raised in December 2023. Since then, the supply of wstETH on Polygon has grown, and currently stands at 7K.

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The community has previously agreed to set supply caps for LSTs at 75% of circulating supply on a given chain. Given this, the supply cap can be raised to 5.25K wstETH, a 20% increase. There is no need to increase the borrow cap at this point in time.

Supply Distribution

Most of the top wstETH suppliers have borrowed only ETH against their collateral, putting them at low risk of liquidation despite low health scores.

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$7.2M of the $8M borrowed against wstETH is ETH.

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Borrow Distribution

Borrows of wstETH are comparatively small and well distributed, as is the case with most LSTs.

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Recommendation

Considering the current liquidity and user positions on Polygon, we recommend increasing the supply cap to 5.25K wstETH.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Polygon

wstETH

4,400

5,250

570

570

Next Steps

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

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