

title: [ARFC] Increase stMATIC Supply Cap

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## Summary

This publication proposes increasing the stMATIC Supply Cap from 21.0M to 30.0M units.

## Abstract

Recently, the Supply Cap of stMATIC was increased from 21.0M units to 25.0M units. Within a few days, the Supply Cap was reached.

The recent increase in stMATIC deposits is from users entering the yield maximising strategy. This type of interaction with Aave Protocol is deemed lower risk than borrowing less price correlated assets.

As a result of how recent new users have interacted with Aave Protocol this publication seeks to increase the Supply Cap of stMATIC from 25.0 to 30.0M which is 1.0M units larger than the previous increase.

If new users continue to interact with Aave Protocol by depositing stMATIC and looping, not borrowing stable coins, then there is an opportunity to walk the Supply Cap higher over time.

## Motivation

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Screenshot 2023-05-05 at 17.56.49

1388×566 43.8 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/7/7d344b4fcf4fe7a7c118733c1e4e6dd41477a022.png)

The above chart shows the pent up demand awaiting Supply Cap increases. The right most part of the chart shows a rapid increase in utilisation as soon as the Supply Cap was lifted.

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Screenshot 2023-05-05 at 22.27.54

1363×554 41 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/2/261cb7d71e8a59dc7c8a48f7f5ff5373d2a94.png)

The chart above shows that since the 25.0M Supply Cap proposal had been originally proposed, the supply of stMATIC on Polygon has only increased slightly. Consequently, 50% of supply is 25,825,944 which can be rounded to 25.8M units, ie: 0.8M additional units on Polygon.

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Screenshot 2023-05-05 at 18.17.23

1375×654 111 KB

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The image above shows one of the recently holders entering the yield maximising strategy. Notice this address has over 104k units of stMATIC idle. The current Supply Cap denies this user the ability to deposit more than 8,864.49 units of stMATIC.

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Screenshot 2023-05-05 at 22.29.21

824×436 35.4 KB

](https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/5/58096f7e9408be5aa3ebed3956d0bad8792e6dea.png)

Over the last week or so, liquidity for stMATIC has been consistent. The chart below shows the impact of a 1%, 3% and 5% swap from stMATIC to wMATIC via Paraswap on Polygon. A 3% price impact swap enables a liquidator to sell 10.92M units of stMATIC.

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Screenshot 2023-05-05 at 22.27.27

1363×685 47.4 KB

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Liquidators could deposit Asset on Aave v3, borrow wMATIC, liquidate a position, receive stMATIC and swap for wMATIC to repay the loan easily enough.

When the loan is nominated in stable coins, the swap route would go stMATIC to wMATIC to stable coin. This means stMATIC is heavily dependent on wMATIC to stable coin liquidity as wMATIC itself.

## Specification

The following risk parameters changes are presented:

Ticker: stMATIC

Contract: [polygon:0x3a58a54c066fdc0f2d55fc9c89f0415c92ebf3c4

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

Parameter

Current Value

Proposed Value

SupplyCap

25M units

30M units

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