Summary

A proposal to:

- Increase weETH's supply and borrow caps on Aave's Ethereum deployment.

- Increase weETH's supply and borrow caps on Aave's Base deployment.

Motivation

weETH (Ethereum)

weETH has reached 100% utilization of its supply cap on Ethereum, and its borrow cap is at 75% capacity.

Supply Distribution

Most of the top weETH suppliers borrow WETH against it, with some borrowing weETH itself. The total supply is fairly distributed across wallets, with the largest supplier representing 21% of the total. The largest open positions have low liquidation risk, as weETH and WETH are closely correlated.

Overall, WETH represents 76.27% of the value borrowed against weETH.

Borrow Distribution

The top weETH borrowers primarily use weETH itself as collateral, with some also using WETH and wstETH, putting these positions at low risk of liquidation.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing weETH's supply and borrow caps on Ethereum.

weETH (Base)

Motivation

weETH has reached 100% utilization of its supply cap on Base; its borrow cap is at 57% capacity.

Supply Distribution

Most of the top weETH suppliers borrow WETH. The total supply is fairly distributed across wallets, with no single supplier dominating the market. The largest open positions have low liquidation risk, as weETH and WETH are tightly correlated.

Overall, WETH represents 85.95% of the value borrowed against weETH.

Borrow Distribution

Large weETH borrowers are almost universally borrowing against their own weETH, presenting little to no liquidation risk.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing weETH's supply cap — noting that we are limited by on-chain supply — and increasing its borrow cap by 50%.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

	Current Borrow Cap	Recommended Borrow Cap
Ethereum		
weETH	550,000	600,000
	150,000	200,000
Base		
weETH	1,200	2,000
	240	360

Next Steps

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

For transparency, we aim to execute the risk steward transaction on July 3rd at 11 am GMT

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