Summary

A proposal to increase the supply borrow caps for weETH on Base.

Motivation

weETH (Base)

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

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Supply Distribution

All of the top weETH suppliers borrow against their weETH collateral. The total supply is fairly distributed across wallets, with no single supplier representing an outsized proportion of the market. The largest open positions have low liquidation risk, as the supplied and borrowed assets (weETH and WETH) are closely linked.

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Overall, WETH and weETH represent nearly 100% of the value borrowed against weETH.

Borrow Distribution

The majority of top weETH borrowers use weETH as collateral, with some also using WETH.

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Overall, weETH represents 51% of the value backing weETH loans with WETH and wstETH representing 43% of the value backing weETH loans.

Recommendation

Considering the low risk given observed usage and given the anticipated growth due to OP rewards from Optimism's Superfest program, we recommend increasing both caps.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Base

weETH

2,100

4,200

720

1,440

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 17th at 12 pm GMT

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