Summary

A proposal to:

- Increase the weETH supply and borrow cap on Aave V3's Ethereum deployment.

weETH

Motivation

weETH has reached its supply and borrow caps on Ethereum.

Supply Distribution

Most of the top suppliers are borrowing WETH against weETH collateral, putting these positions at limited risk of liquidations, given the calculated oracle for weETH.

There is, however, a [user](#) supplying 2.05K weETH along with 309 WBTC, for an overall position of $26.15M supplied and $15.6M borrowed, giving a health score of 1.31. This position is at risk of liquidation should WBTC and/or weETH's price decline, though on-chain liquidity would support efficient liquidations.

Overall, WETH represents 87% of the value borrowed against weETH.

Borrow Distribution

weETH is only being borrowed by two users, who are borrowing against weETH collateral.

Recommendation

As per the community decision, the upper bound on LST supply caps is 75% of the circulating supply on a given chain. This does not limit us in this instance, and thus, we recommend increasing the supply and borrow caps.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

weETH

16,000

32,000

800

1,600

Next Steps

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

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