

title: [ARFC] wMATIC Supply & Borrow Cap Increase Polygon v3 2023.06.01

shortDescription: Increase Supply & Borrow Cap wMATIC on Polygon v3

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Summary

This AIP proposes increasing the wMATIC Supply and Borrow Cap on Polygon v3.

Abstract

With strong deposit flows the utilisation of the Supply and Borrow Cap is 78.10% and 74.92% respectively. This publication seeks to increase both Supply and Borrow to facilitate continued deposits from bb-a-wMATIC linear pools and migration from v2 to v3 on Polygon.

Motivation

As several Balancer liquidity pools migrating to pools that include bb-a-wMATIC, Aave will continue to see increased wMATIC deposits over time.

Currently, there is around [3,934,269](#) and [810,141](#) units of wMATIC not yet migrated to the new gauges. The vast majority of this wMATIC when migrated will be deposited into Aave v3.

There is also [15.19M](#) units of wMATIC on Aave v2 that has not yet migrated to v3.

Collectively, this represents around 19.93M units of wMATIC. There is currently 11.90M units of Supply Cap capacity. This proposal seeks to increase the Supply Cap by 15.00M units to facilitate continue deposits for bb-a-wMATIC pools.

If the Risk Service Providers are aligned on supporting a higher Supply Cap then we are more than happy for the Risk Stewards to implement this aspect of the proposal.

With raising the Supply Cap of MaticX and stMATIC being considered, this publication seeks to increase the Borrow Cap of wMATIC enabling the continued growth of everage strategies on Aave. A conversative loop strategy has around 6x leverage and implies 6 units of wMATIC are borrowed for each unit of LST collateral.

With 12.45M units of Borrow Cap capacity, just over 2M units of LST looped 6 times would fill the Borrow Cap spare capacity. This publication proposes increasing the Borrow Cap to 67M units, an increase of 16M units.

With many teams are offering yield maximising strategies, there is continued strong demand for borrowing wMATIC. The current Borrow Cap has reached 74.92% utilisation. The newly proposed Borrow Cap 67M units is equivalent to 34% increase and represents 74.50% of the current Supply Cap. The Uoptimal parameter for the wMATIC reserve is 75%.

With reference to the new [ARFC Aave V3 Caps update Framework](#) it is possible to ship several upgrades to gradually increasing Aave's exposure to wMATIC over time.

Specification

The following risk parameters have been proposed by Llama and Chaos Labs has expressed support on the governance forum.

Ticker: wMATIC

Contract: [polygon: 0x0d500b1d8e8ef31e21c99d1db9a6444d3adf1270

](<https://polygonscan.com/address/0x0d500b1d8e8ef31e21c99d1db9a6444d3adf1270>)

Parameter

Current Value

Proposed Value

SupplyCap

90.00M units

105.00M units

BorrowCap

50.00M units

67.00M units

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