Summary

A proposal to increase the following caps on V2 Arbitrum:

- Supply cap for wstETH

- Supply and borrow cap for rETH

Motivation

The supply and borrow cap for rETH and the supply cap for wstETH on V3 Arbitrum are currently at nearly 100% utilization.

rETH

Utilizing our supply cap methodology, we conducted stress tests simulating depeg scenarios (up to 15%), yielding the results in the graphs below. With a 2X increase in the caps and current liquidity levels, we do not anticipate bad debt to the protocol, even under extreme conditions.

wstETH

Following our analysis here for wstETH on Arbitrum, we recommend increasing the supply cap to 30K.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Arbitrum

rETH

325

650

85

170

Arbitrum

wstETH

18,750

30,000

800

No Change

Next Steps

Once we receive feedback from @Gauntlet on the above recommendations, we will be able to move forward to implement these updates via the Risk Steward process.

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