

Summary

A proposal to:

- Increase weETH's supply and borrow caps on Aave V3's Ethereum deployment
- Increase weETH's supply and borrow caps on Aave V3's Arbitrum deployment

Motivation

Following the [community decision](#) signaling a positive sentiment towards more aggressive exposure to weETH, we are prepared to facilitate additional cap increases via the caps steward.

weETH (Ethereum)

weETH has reached its supply cap on Ethereum, while its borrow cap stands at 96% utilization.

Supply Distribution

All but two of the top 10 suppliers is looping weETH, either with WETH or with itself. These positions are at limited risk of liquidation given the calculated oracle for weETH.

Overall, WETH and weETH represent 98.6% of the value borrowed against weETH.

Borrow Distribution

The largest [borrower](#) is borrowing against weETH against itself; the rest of the top 10 is all looping with a combination of wstETH, weETH, and WETH.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing the supply cap by 50,000 weETH and doubling the borrow cap.

weETH (Arbitrum)

Motivation

The Arbitrum weETH market reached full supply and borrow utilization rapidly after the last cap increase.

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](<https://europe1.discourse-cdn.com/business20/uploads/aave/original/2X/c/cfce549f7335427c764a6987edd65742ed8506ad.png>)

Supply Distribution

As above, all of the 10 largest suppliers are looping weETH with ETH-correlated assets, putting this market at relatively low risk of large scale liquidations.

Overall, weETH, wstETH, and WETH represent 97.8% of the value borrowed against weETH.

Borrow Distribution

The top collateral asset against weETH is weETH itself, representing 95% of collateral. This puts weETH borrow positions at a relatively low risk of liquidation.

Recommendation

Given on-chain liquidity and user distribution, we recommend increasing the supply cap by 50% and doubling the borrow cap.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

weETH

200,000

250,000

29,500

59,000

Arbitrum

weETH

32,000

48,000

3,200

6,400

Next Steps

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

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