

# Summary

A proposal to increase the supply cap for WETH on Aave V3's Arbitrum deployment

## Motivation

### WETH

Following a surge in new deposits, WETH has reached 93% supply and borrow cap utilization.

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### Supply Distribution

The largest [supplier](#) has deposited 25% of the total WETH in this market and is borrowing \$57M USDC against their collateral.

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This supplier is a [dHedge](#) strategy, which has seen rapid growth in TVL following its launch on Arbitrum.

It aims to achieve 3x leverage on ETH using leverage on Aave and has been consistently rebalancing its position to reach the desired leverage.

### Borrow Distribution

The largest borrower is borrowing \$52M WETH against wstETH collateral in a looping strategy, putting this position at relatively low risk of liquidation.

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### Recommendation

Given on-chain liquidity and user distribution, we recommend increasing the supply cap to 120K. Given high utilization and corresponding borrow rates we recommend no increase to the borrow cap and will recommend additional increases at a later stage.

# Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Arbitrum

WETH

100,000

120,000

90,000

No Change

## Next Steps

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

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