There are many possible integrations that can take place between DeFi protocols. Yet I foresee Lido as being one of the most utilizing (for both respective protocols) and most interesting of integrations. This is not a list of protocols that I want Lido to integrate with (I only share mild examples), rather this lists the different types

of protocols that have the potential of such while also reasoning different incentives for these protocols to use stETH over ETH.

Since stETH is the liquid form

of ETH staked in Phase 0, there are endless possibilities of integrations with other protocols. Any protocol that uses ETH yield farms, vaults (aggregators), lending/collateral, and LP pools have the potential to integrate with Lido

(just to name a few).

This is just a draft.

Farming:

These farming protocols use LP strategies and reward their users (so-called "farmers") in their native token to attract liquidity. Protocols that allow users to stake their ETH with the protocols native token can allow users to stake their stETH instead. This stETH will accrue rewards from staking in Phase 0, while also simultaneously accruing rewards from the respective staking protocol. (LP Pools functionality will be mentioned below in LP Pools

).

(Examples include: Any farming or staking protocol, really…)

Vaults/Aggregators:

This ties into many of the other categories. Protocols that use vaults/aggregators that are automated to seek the best yield will seek to use stETH pools rather than ETH pools instead (where there are any) for the reason that they are double rewarding and for the reason that there is no impermanent loss in stETH/ETH pools (mentioned how above in Staking

and further below in LP Pools

).

(Examples include: Yearn…

)

Lending/Collateral:

Protocols that permit ETH to be used as collateral in their protocol, for whatever function, can instead now use stETH to incentivize users to stake more collateral. This is because the stETH is constantly accruing rewards and is constantly increasing in value. This will keep the health factor for the collateral above any risk level to avoid liquidation. Protocols that aim to have more collateral inputted in their protocol would rather use stETH than ETH itself.

(Examples include: Aave, Maker, Compound…)

LP Pools:

(Mentioned above in Farming

is the use case of LP pools to farm a protocols native token, mentioned here are LP pools themselves, and how they can be utilized).

Protocols that use LP Pools can benefit from the relationship between stETH and ETH. stETH is bound to ETH at a 1:1 ratio. This allows for a variety of options for extracting revenue: No impermanent loss for liquidity providers, trading fees gained from the pools to liquidity providers or to protocols/aggregators, opportunity for newly created vaults that can use these trading fees without having the impermanent loss risk.

(Examples include: Sushiswap, Uniswap, Curve…

)

Not mentioned are possible tranche systems (BarnBridge, Spice…)

that may somehow integrate with Lido.

It seems to me that having liquidity pools for stETH is the single most important factor tied into this. Regardless of trading fees for liquidity providers, those that want to stake in Ethereum's Phase 0–while also wanting to own liquid

ETH (stETH)–require a pool to be able to “unstake”, in a sense, their Ethereum. This is how both protocols can mutually benefit one another.

If you have any other ideas, please mention them below.

I repeat, this is just a draft. These are just some ideas that have popped into my head and I am not sure about their functionality (how does a rebasing token like stETH work in a liquidity pool with other tokens). I will most likely create a new post once I am well informed.