Introduction

ZigZag is a decentralized order book exchange powered by ZK-Rollups. We are the only DEX live on zkSync and will be launching soon as the only order book DEX on StarkNet. Our vision is not to launch a mediocre DEX, instead, we are aiming to bring the usability and ease of centralized exchanges to a DEX that previously was not possible due to scalability issues on Ethereum's mainnet.

StarkNet and zkSync are newly established ecosystems which creates an opportunity for Lido to bring exposure to their efficient liquid Staked Ether token (stETH) and allow switching on a 1:1 pegged basis to Ethereum without the exorbitant gas fees on the mainnet. If you are unfamiliar with StarkNet or zkSync, I highly recommend you to do some background reading as they are simply not "another" Layer-2 solution; Zero-Knowledge proofs are the end-game scaling solution for Ethereum, allowing transactions to get sent with no gas and infinitely scalable speed.

Liquidity proposal

We propose for Lido's DAO to bootstrap our liquidity on zkSync 1.x to list a pair for wstETH/ETH. This would give Lido's liquid staked Ether the strongest placement in a multi chain narrative, especially on the upcoming ZK chains.

Currently, the only viable alternative for token holders aiming to swap between them is to route through the Curve pool at: Curve.fi.

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stETHCurve

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The main issue with the Curve pool is the unaffordable gas fees on Ethereum's mainnet. At current time, each swap they do will cost them ~$300; on ZigZag's exchange, this will be a maximum of $1.

There is a listing for wstETH/ETH on ZigZag already at:https://trade.zigzag.exchange/?market=wstEth-ETH

However, the order books are not that liquid.

We have calculated that 3500 ETH and 3500 wstETH liquidity would be sufficient for ZigZag to list a pair for stETH/ETH and maintain an unbreakable peg at a 1:1 basis. This liquidity would be sent to one of our market-making bots which matches orders and generates revenue from capturing spread if the peg should differ for a short period of time. With the revenue that gets generated, ZigZag can share this with Lido's DAO on a biannual basis.

We can follow up with another proposal after the first revenue share (6 months) whether this liquidity should be returned back to Lido's treasury or kept at ZigZag's market maker which will share the liquidity on StarkNet as well after its release.

To conclude

ZigZag's team believes strongly in the increased adoption of Lido's stETH which will hopefully maintain its place as the most dominant liquid Ethereum staked token. Solely relying on a Curve pool that is on Ethereum's mainnet limits a vast number of individuals who cannot afford the gas fees from accessing the token.

A mutually beneficial way of achieving this goal is to onboard it through ZigZag's exchange. We are the only DEX on ZKs that have gained any significant sort of volume, and we are aiming to keep this first-mover's advantage going by constantly innovating and moving forward.

We hope this proposal aligns with Lido DAO's and ZigZag's vision of a multi-chain narrative in which stETH keeps its monopoly on the existing liquid staked Ethereum variants.