[GF: Phase 1 Proposal] Lido

Incentive Proposal

Project Name:

[Lido Finance](#)

Author Name:

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Number of OP tokens requested:

1,000,000

L2 Recipient Address:

TBD Multi-sig

Relevant Usage Metrics:

(TVL, transactions, volume, unique addresses, etc.)

For general usage metrics, please refer to the [Lido Extended Dashboard](#).

Optimism alignment:

Lido started in ethereum and is aligned with ethereum's values, actively contributing to its security and ecosystem.

One of wstETH's core value propositions is to democratize access to ETH staking: it enabled anyone to contribute to ethereum's future security and participate in staking rewards independently of how much ETH one may have.

As such, having wstETH available and liquid in Layer 2s further democratizes access to ETH staking and staking rewards to a new cohort of users who can't afford or don't want to pay (understandably so!) mainnet fees.

Proposal for token distribution:

The OP tokens will ultimately be used to incentivize the adoption of wstETH across the Optimism ecosystem, bringing ethereum staking yield to L2 DeFi.

The first step in that adoption journey is to have liquidity on wstETH on Optimism, and as such, OP will be used for a liquidity mining program geared towards wstETH pools on Optimism.

How will the OP tokens be distributed?

wstETH should be both very liquid against ETH as well as one of the main trading pairs for other assets (thus supporting native projects and allowing LPs to be exposed to additional yield than they otherwise would be).

As such, we propose the following distribution of the LM rewards:

1. 50% $OP - A main Curve wstETH/ETH pool

2. 15% $OP - An Uniswap v3 wstETH/USDC pool

3. 35% $OP - Velodrome wstETH pairs with ecosystem tokens and OP itself

How will this distribution incentivize usage and liquidity on Optimism?

Liquidity for liquid staking derivatives is a necessary condition and driver for adoption, volume and TVL of these assets in any chain.

1. Liquid staking derivatives are an essential money lego in any DeFi ecosystem. Bringing the most battle-tested, well-known and liquid ETH LSD to Optimism will both be another useful application for users in addition to making other protocols more useful via integrations.

2. In ethereum mainnet bot stETH and wstETH have an increadible track record of bringing excellent amounts of TVL and usage to protocols that integrate it.

2.1. In Aave, stETH became the highest TVL asset used as collateral, surpassing WBTC, the stables and ETH itself in just a few months. Currently there's ~$2.5B in stETH deposited. [(Lido Aave Integration Dashboard)](#)

2.2. In Curve, the stETH/ETH pool is the largest pool.[(Pool dashboard)](#)

2.3. There are many more examples, but as a final one, wstETH has also brought a lot of TVL to Maker.([WSTETH-A](#), [wstETH-B](#), [steCRV](#))

From this, we fully expect wstETH to have a big impact in increasing the TVL, liquidity and usage of many DeFi protocols deployed on Optimism, thus contributing to strengthening and growing the ecosystem.

Why will the incentivized users and liquidity remain after incentives dry up?

Having liquid markets for bootstrapping wstETH bridging, purchasing and TVL growth on Optimism allows further ecosystem integrations and synergies to become possible.

Similar to what happened in mainnet, we expect wstETH to become increasingly integrated across the most vibrant projects on Optimism, be it as a trading pair for other assets in DEXes, as collateral in money markets or anywhere else the community sees fit.

Furthermore, the staking yield is sustainable and independent of incentivization. As such, users and TVL should be sticky both for simply holding as well as in the DeFi uses wstETH has (collateral, LP, etc).

Over what period of time will the tokens be distributed?

The OP tokens allocated will be distributed over a 6 month period, starting from the date Lido announces wstETH on Optimism.

How much will your project match in co-incentives?

Lido will match OP liquidity mining incentives with LDO for the same pools and for same or longer duration.