Summary

StakeWise has partnered with Blockdaemon to provide the first institutional liquid ETH staking platform. Launching in June 2022, this platform will be a key gateway for institutional capital to enter the ETH ecosystem and interact with permissioned DeFi. Following the on-boarding process, clients will gain access to Permissioned Staked Ether (psETH), a staked ETH token providing holders with the rights to ETH staking rewards. This proposal is to add borrow/lend support for psETH on Aave Arc.

Note, a separate proposal is underway to onboard StakeWise's permissionless staked ETH token (sETH2) to Aave.

Motivation

Liquid staking provides users with the opportunity to unlock the value of their staked capital and utilise this throughout DeFi. Prospective clients have shown great interest in using psETH as collateral, with psETH ideal for borrowing ETH specifically given the high correlation between asset prices.

Permissioned DeFi is still in its infancy, with Aave a pioneer within the space. Following the success of staked ETH collateral within Aave's permissionless platform, psETH shows great potential to take Aave Arc to the next level.

Relevant Links

Official product announcement

Product landing page

Documentation

sETH2 contract (forked for psETH)

Communities: Discord / Twitter (StakeWise) / Discord / Twitter (Blockdaemon)

Specifications

What is the link between the author of the AIP and the Asset?

I (Jordan Sutcliffe) am the BizDev Lead at StakeWise, submitting the proposal on behalf of StakeWise DAO and Blockdaemon.

Provide a brief high-level overview of the project and the token

→ Project Overview

StakeWise is a liquid ETH2 staking platform that removes key barriers to entry, such as requiring 32 ETH and the expertise needed for maintaining staking infrastructure, allowing anyone to benefit from the rewards of the Beacon Chain. StakeWise launched its permissionless staking pool on mainnet in March 2021 and has since grown to over 70k ETH staked from over 4000 individual users.

Blockdaemon offers node operations and infrastructure tooling for ~50 protocols. Blockdaemon's node management platform helps auto-scale blockchain networks securely with enhanced monitoring, backup systems, HA clusters, APIs and cloud-managed node monitoring of on-premises solutions. Leveraging this core capability, Blockdaemon offers staking on ~30 protocols enabling clients to support the security of networks while generating staking rewards. Blockdaemon has significant experience providing staking products to large institutional clients, which has provided Blockdaemon with the opportunity to identify a need for institutional-grade liquid staking and has led to a partnership with StakeWise to offer a market-leading solution.

The StakeWise protocol has been forked to provide the technical solution to this new permissioned protocol, with Blockdaemon providing the infrastructure and institutional expertise. The StakeWise protocol has been live on mainnet for over 15 months with a specific risk assessment detailed here.

Over the past 4 months, StakeWise and Blockdaemon have been working to bring their vision of institutional liquid staking to life. The protocol testnet has been running since March and a protocol audit is in its final stages. Live product demonstrations are currently underway alongside hard commitments to stake when the platform goes live in June. The protocol will have full slashing and a level of smart contract insurance in place, and be fully licensed.

→ psETH Overview

psETH tokens (ERC-20) represent a tokenised staking deposit into StakeWise/Blockdaemon permissioned staking pool.

psETH will consequently be backed 1-to-1 with ETH held within validators and 100% slashing insurance will be in place. The psETH contract is a fork of StakeWise's current sETH2 contract with added whitelisting functionality, allowing only whitelisted addresses to interact with the token. Clients will undergo KYC and AML procedures before being eligible for whitelisting.

psETH will act as an interest-bearing form of wrapped ETH (not re-pricing or rebalancing), providing holders with the right to a share of the staking pool rewards. These rewards are distributed in the form of prETH. The psETH contract will be going live in the coming weeks ahead of the protocol launch in June.

Explain the positioning of token in the AAVE ecosystem. Why would it be a good borrow or collateral asset?

psETH is ideal collateral for borrowing ETH, given the high correlation. psETH collateral would also allow holders to take speculative positions, such as shorting an asset or taking a leveraged long position on ETH, for example.

Token (& Protocol) permissions (minting) and upgradability. Is there a multisig? What can it do? Who are the signers?

StakeWise DAO and Blockdaemon will jointly manage the protocol. All entities interacting with the protocol will first be required to complete the necessary KYC/AML procedures before being added to the protocol whitelist. Once whitelisted, each entity is free to stake and consequently mint psETH. Contracts can be upgraded by StakeWise and Blockdaemon.

Blockdaemon and StakeWise use a Gnosis Safe Multi-Sig for the administration of the permissioned liquid staking protocol. Keys are held by authorised persons; two StakeWise, two Blockdaemon and three external projects with 4 out of 7 signatures required. All signers are geographically distributed. Training has been completed by all signers to prevent fraud and procedures for lost keys are in place.

Emission schedule

There is no emission schedule. psETH is minted only when ETH is deposited into the StakeWise/Blockdaemon permissioned staking pool.

Proposed Risk Parameters

- LTV: 70% (vs 82.5% for ETH)

- Liquidation Threshold: 75% (vs 85% for ETH)

- Liquidation Bonus: 7.5% (vs 5% for ETH)

- Reserve Factor: 10% (vs 10% for ETH)

The proposed psETH risk parameters are presented vs those of ETH and are in line with those proposed for sETH2.

Interest Rate Model:

UOptimal: 50%

Base: 0%

Slope 1: 8%

Slope 2: 200%

psETH is best suited as a collateral asset, with the above interest rate model highlighting this fact. There is even an argument to on-board psETH as a collateral only asset, as is the case for other staked ETH tokens on Aave.

Thank you for reading! We look forward to hearing your feedback ahead of the snapshot which will go live in the coming days.