Apr Budget Post

Welcome to the April budget.

The past month saw a huge spike in growth for both stETH and stSOL.

We are continuing to optimize distribution and rewards allocation for stSOL.

stMATIC will be entering the next phase of launch which will bring new integrations and reWARDS planning.

This post will be broken into a few sections detailed below and will be open for community feedback for 3 days (72 hours). After which, if there is no contention, will be acted upon.

Updates for each month will be provided in the corresponding monthly threads.

The sections are as follows:

- Operational updates
- Budget and breakdown
- Reasoning
- New experiments
- Operational Goals

Bonus

- Q1 Update
- Q1 Outro

Operational Updates

No major operational updates.

Budget and Breakdown

The March budget calls for 4,500,000LDO.

4,325,000LDO distributed across the following pools and networks with the remaining held for unaccounted needs during the month.

The colors correspond to an increase

or decrease

of LDO for the month. Blue

indicates a test incentive.

The spend was lower than budgeted by ~200K LDO due to delayed launch of incentives on Balancer (Polygon), delayed launch for Zeta, and Orca (BTC, ETH and SOL pools). Atrix will be launched this week and was delayed due to operational bandwidth.

An easier to view PDF is provided:

Rewards Budget - Pairs 36769.pdf

[

apr budget

1058×1658 258 KB

](https://europe1.discourse-cdn.com/business20/uploads/lido/original/2X/a/aab2e4958d8f07abf95167dce496f192f6e36912.jpeg)

Reasoning and Analysis

With the recent price appreciation of LDO we are tapering back incentives while monitoring efficacy.

Solana

The past month has seen solid growth for stSOL of ~60%.

We are working to update the Solana dashboards and migrate to the new dune data sets.

Notable changes

- Adding new exotic pairs (BTC, ETH). This was a slower launch than expected. Orca is still launching their concentrated liquidity pools which is when we will launch the BTC, ETH pools there. We were able to launch them on Aldrin and Raydium but those also took a bit longer and did not get a full month of data.
- We are still in a holding pattern for Jet. Ribbon, Mango Markets and Synthetify are integration targets.
- Francium asked to test incentives for a month.

Tuning is still ongoing. TVL is still rapidly growing and gaps are still getting filled. We expect the coming months to focus on optimization.

Ethereum

Ethereum had a rapid growth period this month. Pools have held mostly steady from a performance perspective. We are stepping up bribes on the curve pools while capital efficiency is higher as well as looking at new opportunities to test bribes.

Notable changes

- Balancer is launching veBAL so we will be testing 33% (100K LDO) of the normal rewards as bribes instead this month.
- We have further cut back on Curve emmissions by another 500K LDO while increasing bribes by 250K LDO.
- [Curve dashboard](#)

Terra

- Astropool has captured a great amount of TVL for stLUNA and less so for stETH & stSOL due to not being the native asset, which is to be expected.
- Mars protocol is getting ready for launch new assets and should increase demand for stLUNA
- [Astroport Dashboard](#)

Kusama (KSM)

stKSM has been steadily growing. We are working on operational process to get an oracle price feed to allow deeper integrations in DeFi.

Polygon (MATIC)

stMATIC is getting ready for a broader roll out this month. We will also be launching a few new pools as we continue opening up the launch.

New Experiments

- ETH - Tempus Finance (was delayed from March)

: We are exploring a way to incentivize long term holders of the fixed income product. This if successful allows Lido to incentivize 2nd order actions instead of simply providing liquidity.

- Index Coop's IceTH (3X Leverage using stETH + Aave) will have some incentives tested out this month.
- Galleon's ETHMaxy (3X Leverage using stETH + Aave) will have some incentives tested out this month as well.

Operational Goals

The goal is to now focus on increasing natural trading volume over the coming quarter while lowering net LDO emissions from the treasury for mature networks (ETH/SOL) and rotating increased spend to newer networks. While maintaining the

peg is our #1

priority we are becoming more mindful of treasury management and focusing on more sustainable defi behaviors.

To that end we are exploring additional pools around stablecoins where a lot of activity naturally occurs.

Q1 2022 Update

To date the reWARDS committee has been operational for 3 months.

In that time we have been able to stand up a hub and spoke model for management across chains, increase coverage of defi (especially for stSOL) while expanding to new networks. The original and continued goal of the committee is to obtain maximal liquidity on an optimal per dollar cost basis while reducing spend. This boils down to measuring against utilization (approx TVL over Volume).

Since inception in mid December the committee has helped oversee the following:

stETH has increased from a supply of 1.6M to 2.9M

stETH incentives have decreased from 3.975M LDO to 3.345M LDO planned for April

- 15% reduction in rewards with ~80% increase in AUM

- Curve pool has grown from 620K stETH to 778K stETH with a more even distribution between stETH and ETH

stSOL has increased from a supply of 690K to 3.2M

stSOL incentives have increased from 400K LDO per month (Dec) to a peak of 815K in March and a planned reduction to 625K LDO for April.

- 2x rewards at peak with 4x increase in AUM

- Rewards will be reduced 30% this month along with a few missing integrations for gap filling

As the defi ecosystems continue to evolve on the other networks we will continue to watch on areas to provide incentives and tune the growth.

Q1 Outro

I personally am very happy with the progress that has been made to date. That being said, a few areas for improvement we will explore in Q2 are below:

- Better management of launches with partners on new networks.

This has proven difficult to scale and requires additional process. The complexity is only going to increase over time.

- Continued reduction of ETH emissions.

With lending protocols and money markets proving to be a key value driver for stETH, the need for direct emissions is reduced. ETH rewards are still by far Lido's largest cost center and also our top priority of holding the stETH peg. With Balancer launching veBAL + bribes along with our planned L2 expansions I think there is still room to tighten here.

- Better capital efficiency.

With a lot of new protocols launching bribe / ve mechanics it will be prudent for Lido and the reWARDS committee to evaluate them and move quickly to take advantage before arbitrage removes the benefits.

- Change management.

There is risk of misaligned incentives having myself as the head of both the reWARDS committee and Business Development regarding OKRs and other key metrics. This coming quarter I will be looking to step back as the head of the committee in order to remove any doubt of possible conflicts in the long term.