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Background

The bear market and recent market events has shown the importance of increasing the adoption of defi and more decentralized infrastructure. With increased centralized competition, Lido believes the speed of execution is of the utmost importance for the whole industry.

To date, Lido's referral program has exceeded expectations. However, the current model is unsustainable. With protocol sustainability in mind, we need to reduce referral rewards to a manageable level with a cap that is relative to runway and referral rewards EV based on their payback period.

Lido has modeled a variety of scenarios in an attempt to find a referral model that meets various risk and return metrics.

A longer term revenue share model is outside the scope of this proposal and will be outlined separately to maintain focus.

The initial focus will be on Ethereum and will encompass other networks in future proposals.

Proposal

We are submitting the following proposal:

1. Implement a new referral model for stETH structured as per referrer:

2. 2.5 DAI per ETH referred up to $100m worth of ETH

3. 3.5 DAI per ETH referred up to $250m worth of ETH

4. 4.5 DAI per ETH referred up to $500m worth of ETH

5. 5.0 DAI per ETH referred up to $1.0bn worth of ETH

6. 5.5 DAI per ETH referred up to $5.0bn worth of ETH

7. 2.5 DAI per ETH referred up to $100m worth of ETH

8. 3.5 DAI per ETH referred up to $250m worth of ETH

9. 4.5 DAI per ETH referred up to $500m worth of ETH

10. 5.0 DAI per ETH referred up to $1.0bn worth of ETH

11. 5.5 DAI per ETH referred up to $5.0bn worth of ETH

12. Limit the initial reward pool to a maximum of 1,000,000 DAI. Depending on success and market dynamics, refreshing the pool in 1M DAI increments will be voted on and discussed. Updates will be provided in this thread.

13. Begin winding down the program before withdrawal operations are enabled on Ethereum.

14. Optional transition to successor program after withdrawals are enabled

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Eligibility

Open for anyone to join via a similar sign up process as the current referral program. A link to the new sign up thread will be provided assuming the proposal passes.

All partners will need to reapply and have their wallets allowed as an active form of opting in.

Operations

The new model, if approved, would:

- Supersede and formally replace the [current referral program on Ethereum](#), effective immediately after the conclusion of a success vote. All referrals in the legacy setup will be honored for final distribution. Including an update the terms and conditions of the program.

- Change payout timings. Payouts are to be calculated every calendar month with a twap of 30 days for ETH/DAI. This is to create stability in the pricing mechanism in case of volatility in the market. If there is detected manipulation of DAI pricing, USDT and USDC may be used as backup.

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- Implement an exit clause or emergency trigger. In the event of manipulation or overwhelming success, there will be certain limits placed on the payouts of the program in order to protect Lido. This is a non-exhaustive list:

- Lido will not suffocate itself financially in facing overwhelming success of the program

- No cycle staking. Old or new, just don't do it.

- Manipulating the exchange rate of stETH or DAI.

- Yet to be identified attempts to game or manipulate the program which will be documented on the public site linked above.

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This proposal, if approved, would not:

- Define the programs for other Lido on X chains. To be resolved later for simplicity. Each chain will have a separate proposal for containment.

- Change the current payout process

- Define or scope the successor program. That will be in a separate discussion.

Conditions

1. Only allowed referral addresses will be eligible for rewards.

2. Users are given the ability to generate a unique referral URL that is specific to their Ethereum address.

3. Rewards are calculated once per month using a 30 day TWAP of ETH/DAI.

4. To be eligible for rewards in the current rewards calculation period, referral should drive at least 5 ETH in referee stakes during 'the period'

5. A referral receives payout based on the proposed model (final conditions will list this explicitly on the Lido site).

6. The Lido Referral Program does not have any fixed timeframe. The Program ends when there are no more tokens in the Reward Pool (i.e., the total amount of DAI tokens that can be distributed to participants of the Program) or when the DAO makes an active decision to cancel it.

7. The Lido DAO can stop, pause, and resume the Program at any time.

8. The Lido DAO determines the size of the Reward Pool, amount and terms of the DAI reward, and can change them at any time.

9. The Lido DAO can at any time change the operating conditions of the Lido Referral Program.

Program Implementation

1. 1,000,000 DAI held in the DAO Treasury will be reserved for the purpose of the Lido Referral Program.

2. Each Rewarding Calculation Period takes 1 calendar month. During this time referral

preliminary rewards are calculated based on the referee staking. The Payout Period that comes after is the time to check and filter abuse cases and approve rewards. During the Payout Period approved rewards are allocated to Rhino.fi for referrals to claim or delivered directly to referral addresses.

1. Smart contracts currently are not able to claim the reward fromRhino.fi so the referral address must be EOA (externally owned account) to get rewards.

2. In order to ensure that the Referral Program can successfully achieve the purposes of developing the Lido ecosystem and attracting new stakers, there are rules in place to limit abuse and misbehavior. Namely, participants/addresses involved in abusive, incorrect, suspicious behavior that is against Lido DAO values and goals will be excluded from the Program and will not be entitled to LDO Rewards, including but not limited to the following situations:

3. Participant/Address directly or indirectly worsen the ETH:stETH exchange rate in incentivized liquidity pools such as, for example, Curve ETH:stETH liquidity pool;

4. Participant/Address is involved in cycle staking — using the same amount of ETH to generate rewards multiple times (user sends ETH through Lido using a referral

link, only to sell their stETH later for more ETH in order to repeat the whole process again and again);

1. A suspicion that staked ETH are the proceeds of crime (e.g., hack).

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link, only to sell their stETH later for more ETH in order to repeat the whole process again and again);

1. A suspicion that staked ETH are the proceeds of crime (e.g., hack).

2. Staking of ETH borrowed on lending/borrowing protocols (like Aave and others) is not eligible to be rewarded. This includes ETH that was bought with any other borrowed cryptocurrency (like DAI).

3. Referral Periods Reports showing the distribution of LDO will be regularly published to ensure transparency of the Lido Referral Program.

4. If for whatever reason there are any errors in the calculation or transfer of allocations of the Rewards to any Referrer, the error can be rectified in any suitable way. Users are welcome to contact Lido support at the following channels in case of any problems:

5. [

](/cdn-cgi/l/email-protection#0f666169604f63666b60216966)

1. # referral-program

channel in our discord.

1. [

](/cdn-cgi/l/email-protection#0f666169604f63666b60216966)

1. **referral-program**

channel in our discord.

Summary of Research and Considerations

- A few models were considered. The proposal is recommending the best one of the methods reviewed. The lowest risk probability of damaging Lido financially.

- The referral payouts are to be structured in DAI, tiered by the total amount of assets (DAI) referred for the lifetime of a given partnership. This mitigates volatility risks.

Referral Payouts

The referral payouts are to be structured in DAI, tiered by the total amount of assets (DAI) referred for the lifetime of a given partnership.

[

image

1210×193 8.41 KB

](https://europe1.discourse-cdn.com/business20/uploads/lido/original/2X/2/217e19f7739d3809f710a04a9d4944790f367585.png)

Next Steps

The operations process is already in place with the current model.

After discussion, if not contentious (5 days) we will signal for support via a Snapshot vote for 3 days. If successful, it will move to a formal on-chain vote for 7 days. If passed it will become active and effective from the first day of the on-chain vote passing.

We will also begin working on a formal reward-sharing model and successor model to the referral program.

Conclusion

Given this backdrop, we believe now is the time to refocus our collective efforts on the Ethereum ecosystem. This is more than just a pay-for-stake program. This is part of our continued path to decentralization and one of our strategic goals to continue the alignment of the Ethereum ecosystem. Lido views itself as a public good that will be better able to serve Ethereum with increased community feedback and contributions. We aim to increase security, decentralization, and utility by helping educate the community and building a sustainable and resilient ecosystem.

We believe as a component of Lido's robust roadmap will not only benefit the Ethereum community but improving the success of Ethereum's consensus layer.