

I hope everyone had a great holiday or will be having a great one coming up. This post is the first monthly budget proposal for the reWARDS committee.

This coming month is largely a focus on Solana to increase our coverage of pools, launching the first pools on Terra's Astroport AMM following the launch of stLUNA, and beginning to optimize Ethereum incentives which have been a pillar in maintaining the stETH peg to ETH.

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 (in here for Jan for example).

The sections are as follows:

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

Budget and Breakdown

The January budget calls for 6,000,000LDO.

5,520,000LDO distributed across the following pools and networks with the remaining held for unaccounted needs during the month.

[

image

1030×1790 209 KB

](https://europe1.discourse-cdn.com/business20/uploads/lido/original/1X/9a88dfeab52b52adafed648bb8e3dad5eab0f1ff.png)

Reasoning

After analysis of the current pools and trends on Solana it is apparent that we need to prioritize a few pools by category. These are broadly stables, native SOL pairs and lending. As there is no clear winner yet in any category we are covering a broader set of protocols and will assess with live data.

Terra is beginning to launch a number of new defi protocols and we intend for Lido to stay in the dominant position as a liquid staking provider. Astroport is the new leading AMM for the Terra ecosystem and has committed to a generous allocation of \$ASTRO rewards for 2022. This will also give Lido's other st-assets additional utility outside of their parent ecosystems which is important in a cross chain world.

New Experiments

Votium Bribes for Convex LPs

[In depth analysis](#)

The Curve pool has been one of the most important for Lido in helping hold the stETH peg. It is also the single biggest spend in order to maintain that deep liquidity. Since new incentive mechanisms have emerged, and as new pools have come online we are proposing an experiment to use ~15% of the current Curve spend reallocated to Votium bribes in order to test the effectiveness of this form of incentive.

Votium allows bribing the leveraged governance power of Convex LPs in order to reassign CRV emissions. If successful the result should allow Lido to maintain liquidity, increase APR for LPs while simultaneously lower LDO spend.

The testing size needs to be big enough to measure impact but not so much as to approach diminishing returns. Limit on usage of Convex's veCRV is 50% per pool. Separately, Curve caps a single pool's share of the gauge weight at 30%.

<https://docs.convexfinance.com/convexfinance/general-information/voting-and-gauge-weights>

The potential benefits to Lido:

- Increase liquidity of Curve pool
- Increase APY of pool
- Lower LDO spend

Olympus Bonds

Set up an Olympus Pro Bond to purchase stETH/ETH Curve LP tokens. Initial testing period is 100,000LDO for one month and measure outcomes.

This would turn our liquidity in the Curve pool from a liability into an asset. It would also allow Lido to guarantee a level of floor liquidity as the LP of last resort in the Curve pool that will not ever be removed. This allows Lido to begin forming a longer term partnership with the Olympus DAO and their community.

Lido would also gain access to governance rights in Curve and potentially Convex as well. Both of which are key DeFi projects.

The potential benefits to Lido:

- Convert liquidity from a liability into an asset
- Lower the monthly spend on the liquidity program
- Partnering with the vibrant Olympus community
- Combined with Votium bribes, this can become a new revenue stream

Idle Finance

<https://idle.finance/>

Idle Finance is a risk tranching protocol that can act as indirect insurance for stETH holders. The goal of this experiment is to help bootstrap new liquidity for Idle around stETH Senior and Junior pools. If successful this should be a short term deployment of incentives.

A successful outcome would see measurable growth in TVL to Idle Finance.

The potential benefits to Lido:

- Offer an alternative to insurance for user's that want it
- Becomes a self balancing pool if one tranche becomes over subscribed
- Short term spend, possible long term benefit

Goals

The primary goal for January is streamlining operations of the reWARDS committee and maximizing coverage for existing protocols. We will be building out our analytics capacity on Solana as we are launching a number of new pools.

By the time we reach the end of January, we hope to have a baseline toolset available to determine impact and effectiveness of LDO spend and begin optimizing going forward.