Abstract

Curve stETH-WETH LP incentive plan started on Jan. 2021. It's the most important stETH liquidity incentive action and took a great role in the success of Lido protocol. In the past year and a half, 63.5M $LDO has been distributed to the Curve LP incentive plan, which is about 80% of total lp incentive cost on Ethereum.

No incentive plan can be long-live. Everything has a beginning, it has an end. The question is: When is the time to do so? Maybe someone will say: When the merge happens and withdraw enabled. My answer is: When a protocol is wildly adopted and trusted by users.

Is currently the time that Lido has been wildly adopted and trusted by users? stETH has more than 80K holders with a $4bn marketcap.

Yes, we have just experienced a hard time in the past couple of months. With the crackdown of the whole crypto market and a bunch of institutions collapsed because of over leveraged and lack of risk management, stETH faced huge selling pressure. The maximum stETH exchange to ETH discount went to 6.4% during this period of time. The TVL of Curve stETH-WETH pool also dropped from $5.5bn in early April to the current $570M.

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In the past half a year, Curve lp APR has run in quite a stable trend. The contribution of $LDO incentive reward is about 25~30%. The share is in a significant decline compared to the early stage.

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Proposal

As the stETH selling pressure has been significantly released and the TVL goes stable, I propose to pause Curve LP incentive rewards for two months as a stress-testing

. If the TVL(measured by the amount of WETH plus stETH) keeps stable and stETH to ETH discount in a decreasing trend, that will show the confidence of LP providers and no further demand for continue $LDO rewards. If the result goes in the opposite direction, we can restart the incentive plan based on the testing data.