This program is meant to be a sustainable upgrade from the previous referral program and use many of the existing processes that were already in place. The reason for the new program is 2-fold. With withdrawals enabled the referral program was too easily abused for short-term gain, the other being to better align our partners long term.

Managed by the Rewards Share Committee, the committee's mandate is to grow stETH (defined later in the proposal). The Committee is charged with vetting and filtering participants, abuse analysis/disqualification, reward calculation, and distribution of rewards.

Proposal

This proposal is for a tiered rewards-share program that offers a percentage of the DAO's 5% share of staking rewards to participants who stake ETH using Lido. The program is designed to have limited rewards pools, gradual payouts, a fixed duration that the DAO shares with participants, and filtering for program abuse(details of abuse mentioned later).

The rewards-share program operates in three-phases:

1. Onboarding:

This phase involves the initial application and evaluation process. Prospective participants need to meet the eligibility criteria outlined in the proposal below. The Rewards Share Committee will review and vote on applications, then add the accepted addresses to the program.

1. Rewards-Share:

Once onboarded, participants are eligible for rewards-share. The Committee will monitor participants' stETH contributions and calculate rewards based on positive activities, disqualification activities, and unstaked ETH.

1. Offboarding:

The Rewards-Share program is designed with a defined termination points for all participants. The offboarding phase happens either when a participant voluntarily leaves the program, does not renew their participation, gets disqualified due to violation of the program's Terms and Conditions, is discontinued by a DAO vote, or the rewards pool for rewards-share is exhausted and not renewed.

Each of these steps will be explained in detail below.

Onboarding

Prospective participants can be wallets, institutions, protocols, crypto services, neobanks, and custody services.

- Minimum Potential Contribution:

Participants must demonstrate a potential to drive at least 2,500 ETH to Lido over the span of 12-24 months. This potential contribution will be assessed based on the current ETH total value locked (TVL); or total addressable market(TAM) within the participant's protocol, wallet-products, or institution.

- Promising New Projects:

If a applicant does not meet the minimum potential contribution level, the committee can assess applications from projects that show potential for driving growth to the Lido protocol. Evaluating factors may include the uniqueness of the product or any other qualities that the committee recognizes as indicative of future growth potential.

- Commitment to Lido:

Participants must at least be willing to market and promote Lido equally with alternative liquid staking tokens(LSTs). Participants will still be eligible for the program if they promote Lido alongside alternatives.

- Compliance and Conditions:

Participants will certify during onboarding that participation in Rewards-Share will follow Lido'sTerms of Use * The DAO determines the size of the rewards-share pool and the amount and terms of the stETH token reward, and can modify them through a DAO vote

- The DAO can stop, pause, and resume the program at any time
- The DAO can, at any time, change the operating conditions of the Rewards-Share Program
- The rewards-share program does not have a specific time frame. The Program ends when there are no more tokens in the Reward Pool

- Participants may maintain open lines of communication with the Rewards Share Committee and report any changes in their staking activities, relevant business operations, or other factors that could impact their eligibility for the program
- Participants have the opportunity to appeal decisions to the Rewards Share Committee, but the committee makes the final decision on their eligibility, rewards, or other program-related matters
- Participants are eligible for rewards share for 12 months from time of joining
- The Rewards Share Committee must vote to renew a participant's eligibility into the program after 12 months
- In the event that the DAO does not renew the Rewards-Share Program, all rewards in the Rewards Pool will be paid out until exhausted
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Application Process

1. The committee has 30 days from date of application to reject or accept an applicant.
2. Identity of participants will not be public, however participants' addresses and rewards-share amounts will be publicly disclosed.
3. Applicant will be eligible to earn rewards from day they are accepted
4. Identity of participants will not be public, however participants' addresses and rewards-share amounts will be publicly disclosed.
5. Applicant will be eligible to earn rewards from day they are accepted
6. Applications must have the following info and be submitted to the committee
7. Platform name
8. Background information
9. How you intend to make use of the Lido Rewards-Share program
10. Ethereum address and if it is an externally owned account(EOA) or smart-contract(this will determine how payments are sent)
11. Acknowledge and accept Lido's Terms of Use
12. Platform name
13. Background information
14. How you intend to make use of the Lido Rewards-Share program
15. Ethereum address and if it is an externally owned account(EOA) or smart-contract(this will determine how payments are sent)
16. Acknowledge and accept Lido's Terms of Use

17. Update a public report with participant's address(only addresses, no names).

Rewards-Share

Tiers

Participants share a percentage of the DAO's 5% share of staking rewards. For each individual ETH staked by participants, the DAO shares rewards for a period of 12 months starting from the date the ETH was staked. The amount of rewards-share from the DAO is tier-based, determined by the total cumulative ETH staked by the participant and/or by users via participants' products and services.

The tiers:

- 30% between 0 - 50,000 ETH
- 35% between 50,000 - 150,000 ETH
- 40% between 150,000 - 350,000 ETH
- 45% between 350,000 - 700,000 ETH
- 50% for 700,000 ETH or higher

A participant's starting tier will be determined by the amount of ETH originating from a participant's products and services prior to their enrollment in the program. Necessary prerequisite for the recognition of the staked amount - staking transactions must be unambiguously attributable to the participant's products and services based on the on-chain data. This might be achieved by:

- The integration of a unique referral code provided to the participants of the previous referral programs that tracks staked ETH
- Or by using on-chain data from a router smart contract that interacts exclusively with the participant's own tokens and/or tokens belonging to the users of the participant's products and services.

The Rewards-Share committee can disqualify any staking transactions for the purpose of the tier determination if they are too ambiguous or difficult to attribute to a participant's products and services with a sufficient level of confidence.

For Example, let's say prior to enrollment, the amount of ETH staked by participant A's products and services is 60,000 ETH. Based on the tier-based percentage outlined, Participant A's starting tier falls into the second bracket (35%).

If the DAO receives 1000 ETH in staking rewards over this period from the 60,000 ETH, Participant A would receive 350 ETH as their share (35% of 1000 ETH), assuming their tier remains the same during this period. This reward-sharing continues for each ETH staked, starting from the date each ETH is staked, and lasts for 12 months. If Participant A decides to stake additional ETH during this period, each new ETH will also earn rewards for 12 months from the date it was staked.

The actual reward amount could be higher or lower depending on the actual staking rewards generated by the DAO during this period.

Rewards-Share Calculation

All participants will be provided a unique referral code, that can be integrated at the website or protocol level, to track stETH they stake using Lido protocol. The Rewards-share committee will check activity within calendar months(ex. Jan 1st-31st).

These actions determined the amount of rewards-share:

- ETH Contribution: The total amount of ETH staked through the Lido Protocol by the participant
- Tier Level: A participant's starting tier is determined by their cumulative contributions prior to joining rewards-share(total amount of ETH they were responsible for staking to Lido protocol before joining the rewards-share program). They can move up tiers while in the program as their contribution increases.
- Staking Duration: Rewards share lasts 12 months from the time each ETH was staked

For example, Participant A initially staked 40,000 ETH, placing them in the first tier with a 30% share of the DAO's 5% share of staking rewards. Later, they staked an additional 20,000 ETH, elevating them to the second tier with a 35% share. Rewards are earned per ETH staked and last for 12 months from the staking date. Thus, Participant A earns rewards for both the initial and additional ETH stakes based on their respective tier at the time of reward-share.

Rewards-Share Disqualification Activities

Listed below are samples of activities that are detrimental to the program and can result in disqualifying stETH from being included in rewards-share. Only stETH involved in disqualification is excluded, not all stETH. The committee will filter for all new staked ETH within calendar month checking periods. These activities include:

- Unstaking: If ETH has been staked and unstaked in a period, then only net amount will be counted towards rewards-share
- Selling stETH on DEXs/CEXs: Trading stETH on decentralized or centralized exchanges
- Cycle-staking: Repeatedly staking ETH, selling or unstaking the resulting stETH, and then staking again
- One-sided stETH liquidity provisioning on DEXs: Providing liquidity for only one side of a decentralized exchange pool
- Secondary leveraged staking from money markets: Engaging in leveraged staking on platforms like Aave, Compound, or Euler are eligible for rewards-share. However, rewards-share for stETH originated from leveraged staking will be disqualified if the position risk ratio (borrowed funds/borrow limit) is above 0.95 or if the corresponding staking transactions take place:
- While the deviation of the stETH:ETH swap rate from 1:1 is greater than 1%
- When a temporary increase of the liquidation threshold for (w)stETH collateral on money markets is enacted
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For example, Participant A has contributed 60,000 ETH and moved into the second tier with a 35% share of the DAO's 5% share of staking rewards. However, 10,000 stETH from Participant A starts to engage in disqualifying activities, such as providing liquidity only on one side of a DEX pool, or repeatedly cycle staking(staking ETH, unstaking it, staking again), the 10,000 stETH involved in this activity will no longer be eligible for the rewards-share.

These activities do not disqualify the participant from the program outright, just the stETH directly involved in disqualification activities. However, if stETH originating from a participant is repeatedly involved in disqualification activities, the rewards-share committee can disqualify a participant from the program completely.

- If a participant is directly involved in disqualification activity, they will be considered for outright disqualification from the program(custodian, institution)
- For example, if a wallet provider has a small percentage of staked ETH involved in disqualification activity every checking period, the wallet will not be disqualified outright from the program. However, if a custodian in the rewards-share program is using customer's staked ETH in disqualification activity, they could be removed from the program because they have direct control of their clients stETH.

Unstaked ETH and the Social Unstake Deduction

Unstaked stETH will be deducted from stETH eligible for rewards-share. For unstaked stETH that is difficult to track directly to its source (mixed with tokens from other sources, or split between different addresses etc.)

- we created the social unstake deduction.

This technique indirectly adjusts eligible stETH for rewards-share by considering the total unstaked stETH during a calendar month and the proportion of that unstaked stETH contributed by rewards-share participants. This mechanism was invented to overcome limitations imposed by stETH fungibility - it is hardly possible to determine the origin of a particular unstaked token.

For example, imagine a total of 10m stETH, with 1m stETH coming from the rewards-share program. Participant A is responsible for 900k stETH, and participant B is responsible for 100k stETH. If users unstake 1k stETH with an uncertain origin, the social unstake penalty is applied. In this case, 10% of the 1k unstaked (100 stETH) is used as the penalty and is proportionally deducted from each participant's share of stETH eligible for rewards in the program.

The social unstake deduction will not be enabled by default. It will be used as an emergency brake in case of mass unstaking of participants in the rewards-share program.

- If the total amount of withdrawals that are difficult to attribute directly to participants in a month exceeds 25% of the average monthly new stake for the last three months, then the social unstake deduction will be applied. By default, the deduction will be disabled the next month if withdrawals don't exceed the threshold.
- The social unstake deduction will be enabled on a permanent basis if multiple participants are systematically cheating through cycle staking to get higher rewards.

Avoiding the Social Unstake Deduction with Whitelisted Addresses

The whitelisted address is a way for participants to avoid the social unstake deduction. stETH sent to the whitelisted address will be exempt from the social unstake deduction but will be subjected to direct unstake deduction instead if withdrawals take place.

For Example, let's say participant A requests to have their Ethereum address (0x123abc...

) whitelisted by the Rewards Share Committee, which is granted. Initially, they decide to stake 60,000 ETH through Lido protocol and send it to the whitelisted address. For as long as the 60,000 stETH is in the whitelisted address, the social unstake deduction is not applied for that 60,000 stETH.

This process allows the Rewards-Share Committee to easily track a participant's contribution.

The process for creating and defining a whitelisted address is as follows:

1. Request for Whitelisting: A participant submits a request to the Rewards Share Committee to have an address whitelisted.
2. Address Verification: Verifying a participant's address and identity is used through telegram and discord channels, on-chain analytics, and other sources (ie, social media accounts)
3. Eligible addresses can be:
4. Externally owned account
5. Proxy contract
6. Smart contract
7. Any Ethereum address that can verify the existence and balance of stETH by the Rewards Share Committee over a rewards period
8. Externally owned account
9. Proxy contract
10. Smart contract
11. Any Ethereum address that can verify the existence and balance of stETH by the Rewards Share Committee over a rewards period

Off-boarding

The Rewards-Share program is designed with a predetermined termination point, marking the onset of the offboarding phase. This phase can be triggered under several circumstances:

- Voluntary Departure: Participants may decide to leave the program at their own discretion.
- Non-renewal: After 12 months of active participation, participants must reapply for the program. If a participant does not renew their participation, they automatically enter the offboarding phase.
- Disqualification: If a participant violates the program's Terms and Conditions, they can be disqualified and ushered into the offboarding phase.
- DAO Discontinuation: The DAO reserves the right to vote for the conclusion or non-renewal of the rewards pool. If such a vote passes, all participants are moved to the offboarding phase.
- Exhaustion of Rewards Pool: If the rewards pool for rewards-share is exhausted and not renewed, all participants will no longer receive rewards-share

If a participant's status in the program is terminated and is no longer earning rewards-share going forward, stETH before termination will still be earned rewards-share(12 months from time of staked ETH). However, should the rewards pool be depleted or the DAO decide to discontinue the program, the rewards-share distribution will consequently cease for all participants.

Rewards Share Committee

The Committee will control a multi-signature wallet with authority to whitelist, filter, and distribute stETH protocol rewards.

Multisig disclosure: Use 0xe2A682A9722354D825d1BbDF372cC86B2ea82c8C rewards share multi-signature wallet that is controlled by the Rewards Share Committee members(aka signers):

- Signer 1(frontalpha): 0x22c05930160c6a74a6bA59436e8F7006176ed104
- Signer 2(Kadmil): 0x9A3f38AF97b791C85c043D46a64f56f87E0283D4
- Signer 3(Zuzu): 0x004812da927b5DCd07e7329609eDD75E25d2d295
- Signer 4(Pipistrella): 0x5da409e1cbDABeC67471dB01Ff956f804bb8879f
- Signer 5(jbeezy): 0x039bDD285d3eDb1D9B6001d3097067Aa2AF7d826
- Signer 6(McNut): 0xc7a8DE05264442A318189f2bd160d2830902C8CD
- Signer 7(kethfinex): 0x639e084095020E1E85a857eb12b2219292a5B979

The committee will follow the DAO's policy on multisig operations.

The Committee will start with an initial rewards pool of 3,000 stETH. When the pool is depleted, the DAO will vote whether to replenish it.

Supporting Research and Analysis

- Rewards Share Simulation: A simulation is available to see how aspects like tier, staked amount, disqualified ETH, and unstaked ETH determine the rewards earned by participants
- Social Unstake Penalty

: A paper on the “social unstake” penalty concept, which addresses the challenge of tracking unstaked stETH and offers a solution to indirectly adjust rewards share based on the total amount of unstaked stETH and its proportion to stETH originating from rewards share participants.

Definition of Terms:

In this proposal, the following terms have these meanings:

- “Rewards Share Committee” means the committee established by the DAO to oversee the distribution of rewards within the Rewards-Share Program.
- “Lido” refers to the name of a suite of software tools deployed on the Ethereum blockchain.
- “stETH” means the staked Ethereum token created by Lido as a representation of a user's staked ETH.
- “DAO” means the decentralized autonomous organization responsible for managing and governing Lido software.
- “ETH” refers to the native cryptocurrency of the Ethereum blockchain.

Voting and Discussion

All Lido stakeholders and the Ethereum community are invited to weigh in on the proposal. This proposal will be followed by the Snapshot vote with the link published here, when ready.