[GF: Phase 1] Rocket Pool

Incentive Proposal

Project Name:

[Rocket Pool](#)

Author Name:

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Number of OP tokens requested:

600,000

L2 Recipient Address:

TBD Multi-sig

Relevant Usage Metrics:

(TVL, transactions, volume, unique addresses, etc.)

For general metrics:

Defi Llama:https://defillama.com/protocol/rocket-pool?denomination=ETH

Etherscan (rETH): https://etherscan.io/token/0xae78736cd615f374d3085123a210448e74fc6393

Rocketscan: https://rocketscan.io/

MakerDAO's in-depth analysis of Rocket Pool:

[The Maker Forum – 20 May 22](#)

[rETH] Collateral Onboarding Risk Evaluation

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Optimism Alignment:

Rocket Pool facilitates liquid staking, and the ability to become a node operator with less than 32 ETH, without compromising on Ethereum's core values. Rocket Pool is open source, decentralised, permissionless, client diverse, and non-custodial.

Node Operators:

The Rocket Pool protocol currently has 1,261 permissionless node operators, making it the most decentralised liquid staking protocol.

rETH stakers:

Liquid stakers deposit ETH into Rocket Pool and receive rETH in return. In the event of a slashing, the node operator's 16 ETH, and then their RPL collateral are penalised first, to protect rETH holders from this risk.

Benefits:

In light of recent discussions regarding self-limiting of staking pools above a certain threshold of staked ETH market share (15%, 22%, 33%), it is net positive to promote the growth of a decentralised liquid staking protocol below this threshold level. Promoting rETH liquidity on Layer 2 provides users with access to a liquid staking derivative (LSD) for ETH whilst also maintaining and supporting the decentralisation and security of Ethereum, and thus also Optimism. It further democratises access to ETH staking, by providing opportunity for users that cannot afford the transaction fees necessary to acquire rETH on Layer 1 mainnet.

Proposal for token distribution:

OP tokens will be utilised to incentivise adoption of rETH across the Optimism Layer 2 ecosystem through a targeted

liquidity mining program.

How will the OP tokens be distributed?

rETH liquidity should primarily be targeted against ETH, in addition to the other major trading pairs on Optimism. Accordingly, we propose the following allocation of $OP for liquidity mining rewards:

1. 70% $OP - A main Balancer/BeethovenX rETH/WETH pool

2. 30% $OP - Velodrome rETH/WETH pair

How will this distribution incentivize usage and liquidity on Optimism?

Liquidity for LSD's is fundamental to achieving adoption, volume and TVL in the context of rETH liquidity pools on decentralised exchanges, and also to drive growth in other applications that integrate with rETH, and Optimism as a network. There is already 1,387 rETH on Optimism, and it is well positioned to incentivise further adoption. Additionally:

1. The ecosystem is becoming increasingly aware of the issues of centralisation, lack of client diversity, and concentration of staked ETH among a small number of staking providers. Increasing liquidity for rETH will attract users to Optimism, as it will provide an affordable route to access a decentralised liquid staked ETH token.

2. Liquid staking derivatives are an essential money lego in any DeFi ecosystem, and promoting rETH liquidity increases the utility of Optimism applications for end users.

3. rETH demand and adoption is growing, including recent integrations with Ribbon finance, and the final stages of integration with MakerDAO as a collateral option. We anticipate demand will continue to grow, and incentivising liquidity on Optimism will allow Optimism to capture this growth too.

Why will the incentivized users and liquidity remain after incentives dry up?

Liquidity begets liquidity. The promotion of rETH liquidity on Optimism facilitates the possibility of further integrations, which create new usecases that drive further demand for rETH within the ecosystem and continue to promote liquidity. This has been evident on layer 1 mainnet, where current integrations are now being approved following the increased liquidity of rETH. We expect the incentivised liquidity to accelerate integrations which will allow rETH to be used as collateral in lending protocols, and as a yield bearing token in LP positions and other money legos in the defi ecosystem. The inherent staking yield for rETH means it is well positioned to sustain demand, and foster ongoing sticky liquidity and TVL on Optimism.

Over what period of time will the tokens be distributed?

The OP tokens allocated will be distributed over a 6 month period, commencing two weeks after the allocation of $OP grant tokens.

How much will your project match in co-incentives?

A Rocket Pool governance vote will be raised shortly to determine whether co-incentives will be issued from the Rocket Pool treasury.