Abstract

$LDO has been used as LPs incentive token in the past year and a half. It has made a huge contribution to the wide adoption of $stETH and made stETH/WETH pool one of the biggest liquidity pools.

After year and a half practice, there are some vulnerabilities appearing for use $LDO as an incentive token:

- $LDO value volatility causes it's hard for LP to predict APR. Our LPs incentive based on the stETH/WETH pools. As the $LDO to $WETH exchange ratio is quite volatility during the year and a half, this made the APR from $LDO incentive part quite unstable.

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image

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We know that most LPs prefer long-term stable revenue. Too much volatility will restrain their willingness as an LP.

- For many of the LPs, especially money management funds like Yearn, they have no willingness to hold $LDO as we wish. All they do is farm $LDO, sell for $ETH, and reinvest in stETH/WETH pool.

Proposal

As the DAO treasury holds more than 20,000$ETH, we can use $WETH as LPs incentive token instead of $LDO.

This adjustment will bring the following benefits:

- More stable LP APR expectation. Using $WETH as rewards token can make the LPs incentive rewards more stable, which can engage long-term LPs participate in our ecosystem.

- Enable the reWARDS Committee to flexible adjust the incentive budget based on dynamic demands. The incentive budget should be adjusted based on the real demand. If our target is set to keep the LP value on a specific number, using $WETH will make it easier to set the budget number by cutting off the $LDO to $WETH exchange ratio variable.

- It makes our LPs happy. For those money management funds like Yearn, other than selling $LDO and reinvest, they can just one step reinvest in the LP pool by $WETH rewards. Less action, less gas costs.