Welcome to the first reWARDS budget for 2023!

Details are below as usual. This proposal will be open for community feedback for 3 days. After which, if there is no contention, it will be acted upon.

If there are budget updates throughout the month, they will be posted under this topic for transparency.

The sections are as follows:

- Operational Updates and Topics

- Budget and breakdown

- Reasoning

- New experiments

Operational Updates and Topics:

- Higher level table of networks' allocations and a .csv file with the specific pools/integrations by network and platform. No updates in the general structure this month as there have been no changes chains-wise.

- Public dashboard monitoring Lido's reWARDS multisigs available here, in the public LidoAnalytical dune. Transactions are labeled to the best of our ability to make it easier for community auditoring.

Budget and Breakdown

The January'23 budget calls for 2,896,300 LDO.

(Actual 2,633,000 + 10% buffer)

Remaining balances estimated at EOM (unspent and left in the different multisigs by the last day of December and usable for January's spend, rounded to thousands):

- Ethereum: 116,000 LDO

- Solana: 138,000 LDO

- Polygon: 100,000 LDO

- Moonbeam (Polkadot): 34,000 LDO

- Moonriver (Kusama): 0 LDO

- Arbitrum: 25,000 LDO

- Optimism: 22,000 LDO

- Total: 435,000 LDO

Requested budget 2,462,000

(Budget Call - Remaining, rounded)

To be distributed across the following pools and networks with the buffer of 316,500 LDO held for unaccounted needs during the month.

The colors correspond to an increase or decrease of LDO for the month.

The detailed .csv file is provided here.

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Jan23_rewards_condensed

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Reasoning:

Ethereum

The gradual reduction in overall incentive spend that started in september is continued this month. The current liquidity depth for stETH is still over an order of magnitude greater than that of competing products, and sufficient to serve large participants, from treasury managers to integrations.

Furthermore, one of the goals for Q1'23 is to start having liquidity and pool usage on Uniswap v3, and many options have been explored for that. As such, a new line item has been added for general mainnet uniswap pools incentives.

Solana

We still continue incentives adjustment according to our TVL on Solana, amongst other metrics.

- Together with protocols Solend and Synthetify we decided to stop with incentives as they need to recover after the FTX collapse;
- We are continuously reducing incentives for Orca standard pools to redirect users to Whirpools.

Polkadot

No new protocols were added, only wstDOT Beamswap vault to grow and spread liquidity.

Also, incentives reductions took place and that lead to leftovers and adjusting LDO amounts spread will continue in January at around 20% cut size.

Kusama

Solarbeam monthly budget was reduced to be aligned with market conditions and did not require having two month budget transferred in December as planned initially.

Polygon

In December, Lido on Polygon implemented a strategy for sustainability and complies with DAO wide incentive reduction. Actual incentives were 30.77% lower than budgeted, as we focused on optimizing current pools and vaults. On top of that some strategies did not launch. The optimization process will reach its peak in January and is aligned with our strategy of deploying incentives in a sustainable manner during the bear market. For transparency in numbers, further 11.11% was decreased in January budget request.

Unfortunately, the deployment of Beefy concentrated liquidity vaults was delayed once again. This had a positive impact on our reductions as we were able to recycle some incentives for old vaults and stop emission of new ones. In addition, a snapshot failure for Aave wMatic parameter optimizations in December postponed our improvement plan to next year, resulting in 20k LDO being unused for lending incentivization. Once live, this will reduce borrow APY and allow us to utilize advanced DeFi strategies.

Overall, this resulted in 100k LDO being spent less than expected. In January, we will continue to prioritize capital efficiency and further reduce incentives emission for 25 000LDO more.

Arbitrum & Optimism

No specific comments.

New Experiments:

For this budget, a new model for balancing changes in incentives across the different chains and stAssets has been used. That model will continue to be improved on and should be quite comprehensive for the February budget.

Note: reWARDS budget allocations are not endorsements from Lido to any protocol or project and shouldn't be seen, perpetrated or interpreted as that by any user or team.

Happy holidays to everyone and, as always, we appreciate all community feedback on this!