Proposal: Initiative to airdrop LDO to stETH holders as a reward for the initially low Ethereum staking rate.

(In collaboration with [kras](#))

This functions as a valuable reward feature for Lido allowing users to earn full staking rewards from the first day.

This proposal is an extension of the previous proposal:["Counteract currently low reward rate with LDO emissions"](#)

Overview

The LDO reward should be distributed to stETH holders (who are not currently receiving yields from e.g. Curve) through a native Lido staking/deposit mechanism.

The reward rate should be the difference between the Lido stETH rate and that of the Ethereum rate (at time of writing, approximately 10%). As an example, when the stETH reward rate is 2% and the Ethereum reward rate is 10%, the LDO reward rate should be 8%.

This initiative should run for an initial period of 3 months after which it can be re-evaluated and re-configured.

Problem

The reward rate for users who hold stETH is currently low relative to staking Ethereum directly. This is due to the long waiting queue that Lido validators must go through before they can start accruing rewards.

Proposal

To counteract the low reward rate, stETH holders can be rewarded with LDO tokens to cover the difference between the stETH reward rate and the Ethereum reward rate.

The LDO reward should be distributed to stETH holders who are not currently receiving yields from e.g. Curve. This can be managed through a native Lido staking/deposit mechanism where users deposit their stETH into a Lido reward contract. Rewards are to be paid out on a biweekly basis.

This proposal only intends to counteract the low reward rate that currently exists until the ETH APY becomes relatively stable (once many Lido validators finish queue). Once the reward rate is relatively stable, this proposal should no longer take effect.

My suggestion is to run this initiative for 3 months, after which it can be re-evaluated, in addition to running a retrospective airdrop for all stETH holders who (a) did not receive initial airdrop and (b) did not participate in the Curve liquidity initiative.

Discussion

Points of interest:

- How often should rewards be distributed?

- Should rewards only be distributed to stETH holders not actively receiving yields from other DeFI protocols e.g. Curve?

- How long should this initiative run for?