

Background

Lido's StETH is a novel asset in the DeFi space as it offers a tokenized ETH2 representation earning yield. StETH has grown rapidly over the past few months to represent over \$250m+ of value but cannot be used in DeFi as collateral to go long on ETH or unlock the underlying liquidity.

ARCx's has a stablecoin that uses a variety of yield earning collateral types to unlock the value of these assets by minting STABLEx (their native stablecoin). The platform has been live for over 6 months now and is backed by some of the industry's best investors such as Electric Capital, IDEO Ventures, 1kx Capital and more.

Problem

As mentioned in the background, StETH isn't very productive due to the limited integrations in DeFi. The opportunity cost of holding this variant of ETH is high as it cannot be used extensively throughout DeFi and means that users have to choose between a non-yield earning version of ETH or a yield earning version.

Furthermore, anyone who mints StETH and then sells it for ETH means that there is consistent downwards pressure on StETH meaning a deviation from the peg to Ether itself.

Solution

At ARCx, we'd like to add StETH as collateral to help the Lido community make StETH more productive in the Ethereum ecosystem. In order to help foster this behaviour, we'd like to propose an incentive structure where LIDO tokens are allocated to users who mint STABLEx with StETH as collateral and provide liquidity for STABLEx. This will serve two benefits:

1. Ensuring that users are actually using their StETH as collateral rather than holding it idle
2. Making sure that there is sufficient liquidity for other StETH users to utilise STABLEx

To ensure this is a two sided collaboration, ARCx is willing to allocate their native governance token to encourage our community to use StETH as well.

The way in which we intend to do this is through creating a reward contract which will work with the following mechanics:

1. Users can deposit their StETH and mint STABLEx at app.arcx.money
2. The newly minted STABLEx can then be provided alongside USDC/USDT/DAI to a Curve Metapool
3. The resulting Curve LP token can then be used to stake in a rewards contract which earns LIDO and ARCx tokens

At ARCx we're excited to onboard Lido to our community and would be open to listing any other assets Lido adds in the upcoming future.