

dForce DeFi Staking Proposal

Introduction

dForce builds a complete set of DeFi protocols (assets, lending, trading, bridge) on multiple blockchains/layers with a total accumulated borrowing of \$2.3b, and \$47m in TVL at the time of writing.

With the aim of further aligning our DeFi strategy with the broader crypto ecosystem, we are proposing to power the SSV project and the entire Ethereum community by introducing a few feature on dForce Lending that enables:

- higher capital efficiency and leveraged staking yield for ETH borrowers.
- safe, stable, and higher yields for ETH lenders.
- TVL contribution to SSV (through staked ETH).
- more diversified and decentralized infrastructure of the Ethereum network.

About dForce

dForce (<https://dforce.network/>) was firstly deployed on Ethereum mainnet in August 2019 as a decentralized stablecoin protocol, and gradually evolved into a DeFi matrix (assets, lending, trading and bridge), delivering greater level of interoperability and meeting all of a crypto enthusiast's DeFi needs. Now, users can mint, lend, borrow, trade, bridge, stake under one roof on [dForce Dapp](#).

dForce is backed by a number of world-class investors (CMBI, Multicoon Capital, Huobi Capital), and our protocols are currently deployed on 8 networks, including Ethereum, Arbitrum, Optimism, BSC, Polygon, Avalanche, KAVA, and Conflux.

As a Web3-native project and one of the first movers in DeFi, dForce aims to become the largest lending protocol powering the wide adoption of LSD assets in a decentralized manner. To date, dForce is #5 holder of Lido's wstETH on [Arbitrum](#) and the #8 holder of wstETH on [Optimism](#).

Rank	Address	Quantity	Percentage	Value
1	Balancer: Vault	5,158.879064422606366635	14.9006%	\$10,590,972.36
2	0x513c7e3a9c69ca3e22550ef58ac1c0088e918ff	4,490.315923505316829656	12.9696%	\$9,218,438.98
3	0x6eb2dc694eb516b16dc9fbc678c60052bbdd7d80	3,354.457183543525351312	9.6888%	\$6,886,566.42
4	0x42c248d137512907048021b30d9da17f48b5b7b2	2,234.654731836887339125	6.4544%	\$4,587,656.78
5	dForce Network: lwstETH Token	2,093.586255111587696691	6.0470%	\$4,298,048.84

Rank	Address	Quantity	Percentage
1	0xc45a479877e1e9dfe9fcd4056c699575a1045daa	5,784.655565306249133918	19.0724%
2	0xb90b9b1f91a01ea22a182cd84c1e2222e39b415	4,297.18453996938109402	14.1681%
3	0x26aab17f27cd1c8d06a0ad8e4a1af8b1032171d5	4,138.416931621076621936	13.6447%
4	0xc6c1e8399c1c33a3f1959f2f7349d74a373345c	2,974.096732364931433932	9.8058%
5	0xba12222222228d8ba445958a75a0704d566bf2c8	2,402.199314208982652	7.9202%
6	0x916792f7734089470de27297903bed8a4630b26d	1,482.562467074375044369	4.8881%
7	0x794299137282e5d3af56616624ab918d1b2becf3	1,025.835767186899712195	3.3823%
8	dForce: lwstETH Token	955.87815139609780683	3.1516%

Grant Milestones

- dForce received 300K OP grants ([link](#)) from Optimism in 2022, and another 200K OP grants in 2023 ([link](#)) to incentivize users of dForce on the Optimism network.
- dForce collaborated with Lido Finance to reward lending activities around wstETH on Arbitrum and Optimism in February 2023 ([link](#)).
- dForce received 2.45m ARB tokens ([link](#)) from Arbitrum in April 2023 as the top #15 protocol by amount of airdropped ARB tokens.

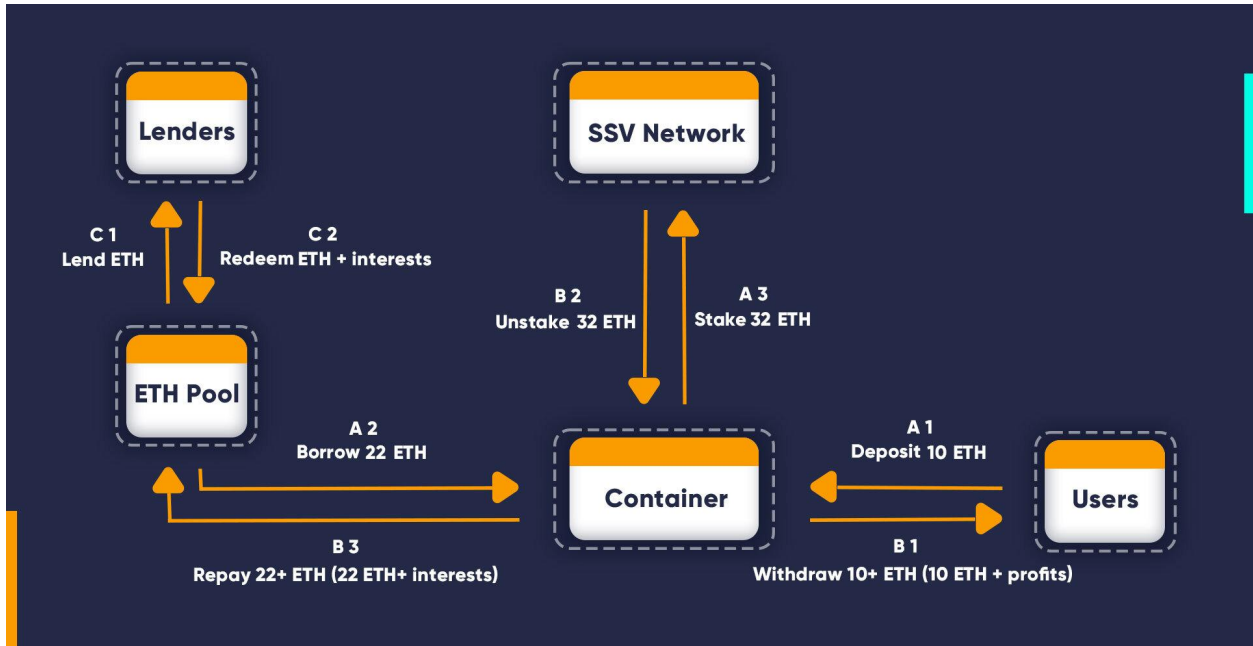
Proposal Details

Technical Overview

We strongly believe that the SSV network will help strengthen the Ethereum network owing to its fully decentralized validation infrastructure, further enhancing Ethereum's decentralization and improve Ethereum network's robustness.

However, as a solo validator, a user will be required to invest the full sum of 32 ETH in order to participate in the staking process.

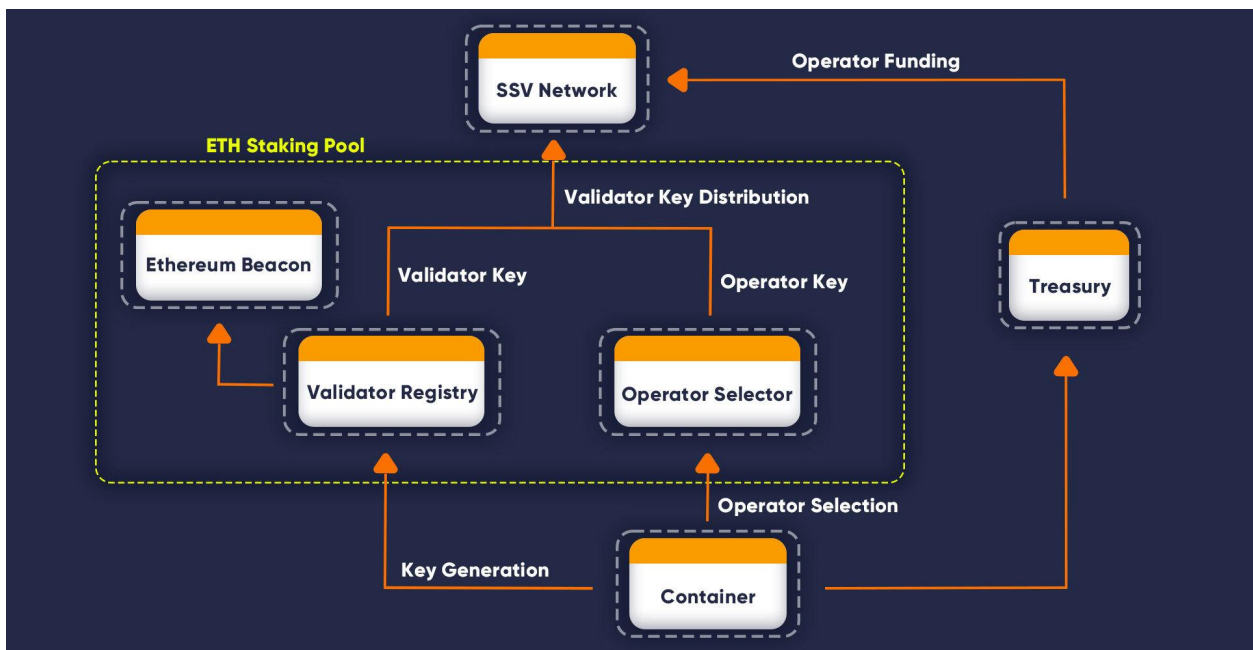
dForce introduces a novel way of staking by implementing a leveraged borrowing mechanism which leverages SSV's staking infrastructure to maximize DeFi yields for participants.



As illustrated above, we are proposing to facilitate ETH staking/unstaking through a *Container*.

By doing so, users will be able to borrow ETH from dForce Lending to satisfy the 32 ETH requirement and earn leveraged ETH staking yields from both collateralized ETH and borrowed ETH with minimized cost (borrowing fees). Users can return borrowed ETH to the pool to exit from ETH staking.

Here's a deep dive into how dForce interacts with SSV network for ETH staking/unstaking:



We plan to engage Chainlink to facilitate real-time validator's balance and report on-chain when needed, and will use DKG when it becomes available.

Roles

- User A (borrower) deposits 10 ETH and borrows 22 ETH from dForce ETH pool, then stakes 32 ETH to SSV Network.
- User A (borrower) unstakes 32 ETH from SSV Network, then repays 22 ETH + borrowing interests to dForce ETH pools, and withdraws 10 ETH + profits (leveraged staking yield) from the container.
- User B (lender) deposits ETH to dForce ETH pool and withdraws ETH with lending interests.

Features

- Lender: earn higher interest rate by lending ETH to dForce. Pooled ETH will facilitate the borrowing needs from stakers (borrowers).
- Borrower: borrow ETH from dForce to satisfy the 32 ETH requirement. dForce enables users to earn higher staking yields by taking on leveraged staking, removing the need of holding 32 ETH with higher exposure.
- Compared to LSD solutions, dForce is leveraging the SSV network on the backend to facilitate ETH staking, where validation keys will be distributed among selected operators in a decentralized manner and non-performing operations can be replaced at any time to ensure better transparency.
- No liquidation risk as borrowed ETH still stays with dForce through native staking.
- Removes the complexity associated with running a node on the SSV network, and unlocks immediate access to liquidity upon unstaking requests.

Actions

- **Lend / Withdraw**
Lenders deposit ETH to dForce to earn lending yields. They can withdraw their ETH deposit at any time unless liquidity is drained in extreme events (same as other pool-based protocols like Compound and Aave).
- **Stake / Unstake**
Stakers deposit 8 ETH (in assumption) to **Container**; **Container** will stake 32 ETH on users' behalf (with 24 ETH funded by dForce) to the SSV network.
Stakers can unstake by exiting their validator and returning the borrowed ETH to dForce

at any time.

- **Withdraw**

We aim to enable immediate withdrawal of ETH from dForce for all stakers. However, there are still chances that users would need to wait when the ETH pool is running out of liquidity, and the '**Container**' needs to satisfy the waiting period in order to unstake ETH from the SSV network.

With respect to ETH 2.0 withdrawal waiting period, we are proposing to:

1. set up a reserve pool (i.e., 10% of total deposited ETH, subject to TVL and can be further adjusted through DAO governance) and enforce close monitoring of ETH reserve. This will help dForce maintain adequate liquidity to facilitate most withdrawal requests. Once liquidity drops below the reserve threshold, it will automatically trigger the unstaking process and withdraw more ETH from the SSV network to refuel the reserve.
2. ETH sitting in the reserve can be swapped into stETH or rETH so that users will continue to earn staking yields.

In Layman's terms, users can withdraw ETH from dForce as long as there is sufficient liquidity in the reserve. However, users would have to wait if the reserve failed to satisfy the withdrawal requests. Unstaking process will be handled by dForce, but exact time of withdrawal will be subject to ETH 2.0 unstaking requirements.

Operator Selection

A number of critical properties will be taken into consideration when we select public operators, including datacenter, country, legal regimes, fees, hardware & software configuration, etc, to ensure diversity and productivity.

SSV Payments

The initial payment for pool creation will be handled by dForce.

Upon launch, we will charge a portion of the ETH staking rewards in fees for borrowing ETH from dForce, which will be collected by dForce Treasury to facilitate top-up fees.

Project Plan

#	Milestone	Deliverables	Est. Effort
---	-----------	--------------	-------------

1	Protocol design + UX design (Milestone for the 1 installment of grant)	A high-level introduction on how to power ETH staking with the help of lending in a decentralized manner. How it complements the existing LSD solutions to attract more audience to the SSV network and ETH staking.	2 weeks
2	Implementation of container	Smart contract & user interface.	4 weeks
3	Implementation of staking pool	Setup of staking pool will take approx. 12 weeks, or down to 4 weeks by engaging a third-party service provider who will be handling validator registration, operator selection, validator key distribution on dForce's behalf to maximize staking/unstaking efficiency and productivity.	4~12 weeks
4	Verification & audit	Formal verification (preliminary testing will be done by the team) & smart contract audit.	6 weeks
5	Testnet launch & bug bounty	Launch a bug bounty program to ensure adequate testing before launch.	2 weeks
6	Mainnet Launch	Launch on mainnet.	/

Payments

Terms

We are erapplying for a \$100K (70%/30% SSV/USDC) grant to facilitate the aforementioned new feature design and implementation.

Milestone Allocation

We are hoping that the payment can be done in 4 installments:

	Amount	Percentage
Protocol design + UX design	\$10K	10%

Full testnet deployment	\$30K	30%
Mainnet launch	er\$30K	30%
TVL: 25 deployed SSV validators	\$30K	30%
Total	\$100K	100%

- \$10,000 to be paid upon completion of protocol and UX design;
- \$30,000 upon full testnet deployment;
- \$30,000 upon mainnet launch;
- \$30,000 upon the achievement of 25 deployed SSV validators.

Open Source

All dForce codes relating to the proposed implementation will be open-source.