Rust Cup Terms Amendment

Preamble

The Rust Cup competition was held from February to September 2021 and designed to test new elector contracts, node software, and practical TPS limits. As a result, 300 depools were selected as winners with the promise of staking subsidies and boosted rewards for locked stakes.

However, the initial contest design was incompatible with the overall economic situation and network tokenomics, which has elongated the reward payout period and created tension with the validator community.

This proposal aims to find the right balance between validator interests and Everscale network sustainability.

Reasoning

The [original](#) Rust Cup reward concept (with amendments as per [proposal](#)) involved the following economic incentives:

- Subsidized locked stakes to help with the validation start (from 200 to 600k EVER for 48 months);

- Boosted rewards for users' locked stakes (up to 20% APY);

- Boosted rewards for validators for attracted locked stakes (up to 20% APY).

The [recent proposal](#) from the validator community suggested a 10% guaranteed APY for all stakes paid monthly and an additionally guaranteed 4% APY on all stakes as a validator reward.

Considering the number of winners (300) and given the probable immediate spillage of the majority of rewards into the market, such incentives will create an excessive pressure of 2M+ EVERs monthly (or 24M+ yearly), as displayed on the chart below.

As there is currently no market demand for such an amount of liquidity, the only way to compensate for it for the DeFi Alliance will be to buy it out from an open market, spending $4-5m of the attracted investments of strategic investors per year. It goes against investor interests and brings nothing to network development.

Such an approach could lead to the rate of EVER dumping to below $0.01, the refund of the investments to investors, and network termination.

Moreover, the appearance of so many new incentivized validators and depools will ruin the motivation of all others and may lead to their termination.

Market pressure
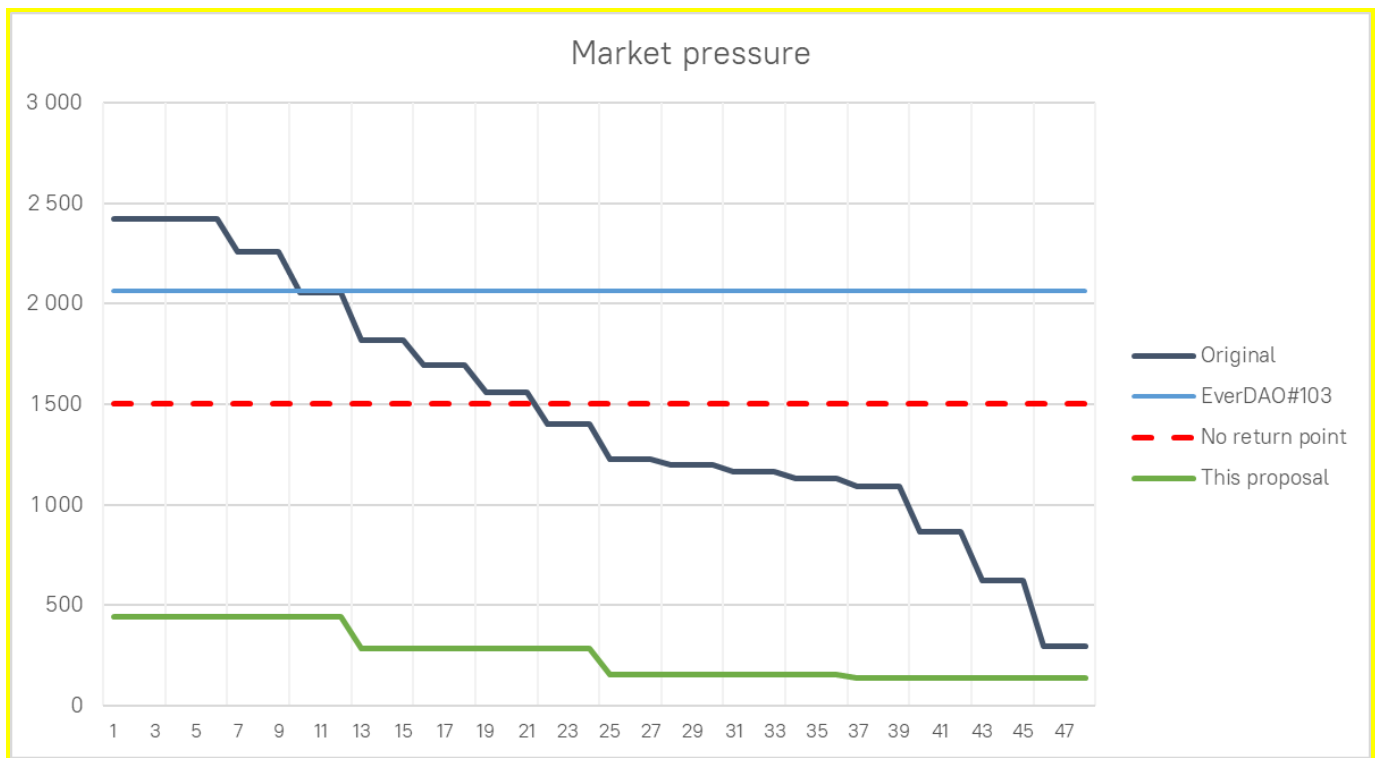
Proposal

Given that (a) we would like to reward validators for their participation in the Rust Cup competition fairly, (b) it should not affect network sustainability, and (c) the solution must be easily implementable without additional programming, we are proposing the following compromise regarding Rust Cup rewards.

Participation costs reimbursement

Because the Rust Cup has been a demanding contest that has consumed a lot of server resources, the validators have borne the related expenses. These expenses have been partially offset by the compensation for the warm-up period for 126 winners out of 300.

We propose transfering the remaining warm-up rewards in EVER coins according to this proposal[1] as soon as possible.

Incentives

We believe that the incentive package must depend on the participants' desire for involvement. Some may want to take the money and go, whereas others will be willing to stay and continue to contribute to the network as mainnet validators.

For both cases, we have developed alternative proposals. Option (A) applies to those willing to just compensate their participation cost with a reasonable return on their investment. Option (B), on the other hand, provides incentives for participants who decide to validate the mainnet and stay with us in the long run.

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[1] Status table for reference:
https://docs.google.com/spreadsheets/d/1qSSL00xQAJfw2PPzUlmef3uGK__T7LbaqcfXZoZDhlA/edit?pli=1#gid=1442938910

Option (A)

Accrue and transfer an additional 50% of warm-up rewards in LEVER tokens (subject to satoshi test) as soon as possible. The participants who choose this option will not be eligible for Option (B) incentives.

Option (B)

With this option, we have designed several incentives that do not provide big immediate returns, yet they provide significant long-run motivation for validators. These include:

- Locked subsidies and their boosts for merged prize places;
- Rewards boosts for validator stakes;
- Targeted ordinary stakes.

The participants who choose this option will not be eligible for Option (A) incentives.

Locked subsidy

Locked stake subsidies have been designed to facilitate the start of validation on the mainnet using new depool contracts and dElector. However, given that:

a. these are not ready at the moment;
b. we would like to keep the minimal elector stake at the same level or make it higher;
c. the target network reward preferably should be at least 7% p.a.; and
d. most participants of Rust Cup had two or more depools competing;

we propose to:

1. Use existing depool contracts until the dElector release, and until new depools are considered ready for mainnet, with further transfer once ready.

2. Set the maximum validator fee for the depools that will receive subsidized stakes from the Treasury to 10%.

3. Set the lock period for Treasury locked stakes to 48 months.

4. Set a multiplying factor for a locked stake received from the Treasury in case the winner agrees to merge prize places[2]:

Number of merged reward lock stakes	Factor per depool
1	1
2	1.2
3	1.5
4 and more	2

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[2] The winning validator wallets must be on the list of Rust Cup winners and the participant must prove the ownership of those winners via satoshi test or another way at the organizers' discretion

Example. You have two depools on the winners' list, with appointed locked stakes of 200k and 250k. If you decided to merge the two of them in one mainnet depool (i.e., you would get a 450k lump sum), your locked stake would increase by that factor. That means that you will get 450k * 1.2 = 540k EVER as a locked stake instead of 450k.

To avoid doubt, the upper limit of the resulting locked stake per depool is capped at 3M EVER. Should you have more due locked stakes, consider splitting them into two or more depools.

5. Participants must set the depool validator assurance parameter to at least 2.5%[3] of the locked stake to be received from the Treasury (including multiplying factor specified above) and stake this amount into the depool before receipt.

   Example 1. You are eligible to receive a locked stake of 250K EVER into your depool. In such a case, you need to set the assurance parameter to 6.25K EVER (or 12.5K in total).

   Example 2. You are merging two prize stakes of 220K and 300K in one depool and are eligible to receive a multiplier of 1.2, i.e., the resulting stake will be 520 * 1.2 = 624K EVER. Then you need to set the assurance parameter to 15.6K EVER (or 31.2K in total).

6. Participants must indicate the wallet address that will be the beneficiary of the locked stakes (subject to a satoshi test).

Boosted rewards

With the reasoning above, we propose to cancel participants' locked stakes boosted rewards and validators' referral rewards as they were laid out in the previous edition of the contest.

For validators who lock their own stakes in their own depools from validator wallets for over twelve calendar months no later than one calendar month from this proposal's approval on Ever DAO, we propose appointing an additional boosted reward for the lock period as per the table below:

Lock period, months	Additional APR
[12, 24)	8,00%
[24, 36)	10,50%
[36, 48)	13,25%
48	16,00%

This boost can last no longer than 48 calendar months. The Treasury custodians shall place the corresponding vesting stake into the depool no later than one calendar month after the validator has placed its locked stake.

Important notes:

1. Due to the depool contract limitation, the boost can be applied only once, so choose amounts and lock duration wisely.
2. In case of fraudulent activity (e.g., masking other people's funds under the validator's own stake), we reserve the right to cancel the boost for a specific validator.

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[3] Depool requires this amount per each round, i.e., the total amount required will be 5% of the locked stake.

     a. Should a validator be willing to combine the stakes of other Rust Cup participants, they should indicate it explicitly.

3. Validator funds must be locked before receiving locked stakes from the Treasury. Any funds locked after that will not count.
4. A validator cannot have other vesting stakes on the same depool with their wallet being the beneficiary, otherwise, we won't be able to set the boost.

Targeted ordinary stakes

As a matter of motivation for proper validators, the DeFi Alliance reserves the right to advise their depools for ordinary staking to its partners and investors. The defining factors to consider a validator proper are:

- Participation rate (aka successful rounds ratio);
- Validator fee;
- Validator assurance;
- Contact information and prompt response;
- Server location and availability.

Afterword

We have based this proposal on the estimation that no more than 100 new validators will appear on the mainnet after delivering all incentives. It will help us maintain a sound ordinary network reward of at least 7%, avoid the excessive market pressure and support validators simultaneously.

It will help to make Everscale much stronger and more sustainable for all stakeholders.

We stay at your disposal in case of questions.

Best regards, the DeFi Alliance