ETH0

USUAL Team

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Introduction

Usual was built around USD0, a stablecoin collateralized by real-world assets—most recently including the Usual Stability Loan. This product has been successful, with USD0++ consistently generating yields significantly higher than the risk-free rate offered by the treasury bonds and bills that back USD0.

However, as a stablecoin, USD0 does not provide exposure to market-driven price appreciation like ETH, BTC, or other volatile assets. In other words, it offers no long exposure to the broader crypto market.

To address this, while continuing to reward users in USUAL, the Usual ecosystem is introducing ETH0—a wrapped version of ETH designed to provide this missing market exposure to the Usual ecosystem.

ETH0 is backed by staked ETH. Its minting and redemption are governed by the DAO, using a framework similar to that of USD0. Additionally, ETH0 holders will receive USUAL rewards, with further enhancements planned through the upcoming ETH0++ release[1], which will use a streamlined, multi-asset USUAL distribution system.

Minting and Redeeming

The minting and redemption process for ETH0 will closely mirror that of USD0. The DAO will serve as the custodian of the underlying collateral, managing all transactions through a dedicated DAO collateral contract.

When users deposit stETH from an eligible collateral, an equivalent amount of ETH0 will be minted and transferred to them. For redemptions, the process works in reverse. When a user chooses to redeem ETH0, the DAO will withdraw the corresponding staked ETH (net of a any redemption fee) from the collateral protocol and burn the appropriate amount of ETH0 to complete the redemption.

[1]Such ETH0++ model will differ from USD0++ as it will still be redeemable 1:1 with ETH0. This product will be revealed at a later time.

Collateral Eligibility

Lido's staked ETH (stETH) will be the primary collateral choice going forward. This will be the only eligible collateral initially after launch. In the future, additional eligible collateral can be added as decided by governance. Ideally, these assets should meet key criteria: a high level of security, seamless integration as collateral, support for relatively fast minting and redemption operations (and sufficient secondary market liquidity), and consistent yield generation through a reliable and secure oracle.

Rewards

ETH0 will launch first, without ETH0++. Neither of these products will be locked. Further. during this initial phase while only ETH0 exists, ETH0 will receive USUAL rewards based on its value solely.

The USUAL distribution system is set up so that the total rewards are split between USD0++ and ETH0 holders in proportion to the dollar value of each user's assets. The USUAL rewards $Reward_i$ received by a user i, who holds a balance $Balance_{ETH0_i}$ of ETH0, are calculated as follows:

$$Reward_i = USUAL_{dist_t} \times A_{USD0++} \times \frac{Balance_{ETH0_i} \times Price_{ETH0}}{\sum_{j=1}^{2} Supply_{Asset_j} \times Price_{Asset_j}}$$

Here, $\sum_{j=1}^{2} Supply_{Asset_j} \times Price_{Asset_j}$ represents the total dollar value of locked ETH0 and USD0++, calculated using their respective primary market prices while $USUAL_{dist_t} \times A_{USD0++}$ represents the daily USUAL allocation to USD0++.

At this stage, the allocation originally designated for USD0++ is being split between ETH0 and USD0++ based solely on the relative prices of the two assets.[2] This represents a simplified approach to managing a multi-asset system.

Once ETH0++ is introduced, these rewards will be discontinued for ETH0 and fully transitioned to ETH0++. The following ETH0++ rewards structure will differ from this ETH0 structure and take into account additional variables such as the ETH0 collateral rate, volatility and other variables.

Revenue Distribution

Revenue generated from stETH held as collateral for ETH0 is issued in the form of newly minted ETH0. This is subject to be part of the same revenue split distribution; however, this will not be immediately included in the distributions and will be integrated over a transitory period. As a result, when fully integrated into the revenue split distribution, USUALx holders will receive weekly distributions denominated in both USD0 and ETH0, based on their proportional share of the total USUALx supply.

[2] ETH0 is priced using a daily time-weighted average price (TWAP).

Conclusion

Ultimately, the launch of ETH0 introduces a directional asset into the ecosystem, enabling users to earn USUAL while maintaining direct exposure to the market. USUAL will be distributed solely based on the value of ETH0, with a more advanced, parameterized system to follow in the upcoming launch of ETH0++. Additionally, any revenue generated by ETH0 will be distributed through the standard revenue split mechanism.