

## Background

Lido validators are a core part of the Terra ecosystem and their behavior is of special attention to the community. As the largest liquid staking provider on Terra, Lido has a responsibility to further the security and health of the network. To this effect, the DAO recently [formalized](#) and [adopted](#) a baseline criteria we expect our validator set to follow.

To satisfy the baseline criteria, validators are expected to avoid:

- being slashed/jailed/tombstoned,
- signing less than 80% of the latest 100 000 blocks,
- 6-hours period without signed blocks,
- providing less than 80% of oracle votes for a month,
- 6-hours period with no oracle votes,
- missing a network update (being offline for 3 hours after network migration/security-related fork),
- setting the commission rate to more than 10%,
- missing more than 4 out of the 20 latest votes on the Terra governance (having less than 80% participation).

## Assessment

Since the introduction of the baseline, and thanks to the tremendous work of all validators in our set, oracle vote and sign performance has drastically improved across the board.

Given that less than 20 votes have taken place since the adoption of the baseline, enforcing its governance participation requirement is slightly trickier. Currently, the simplest alternative is to consider that any validator having missed more than four votes since the baseline's inception has fallen short of the baseline. Applying this approach to the current whitelisted set reveals that six validators have unfortunately failed to vote at least 5 times:

Validator

Votes missed since baseline

Participation since baseline

Dokia

9

0%

everstake

8

11%

DSRV

9

0%

Figment

6

33.33%

Certus

9

0%

01node

## Discussion

Because a policy is only meaningful if it is enforced, we believe that falling below the baseline requirements warrants the intervention of the DAO. Below, we provide additional elements of context to assist the DAO in its decision.

- Were operators aware of the policy?

Operators were called for feedback before the baseline proposal was pushed onto the forum. Nevertheless, operators were not directly notified when the policy was adopted by the DAO.

- Were operators notified when their performance started to deviate for the baseline's requirements?

Early monitoring efforts were focused on oracle votes and sign performance and we have only recently implemented notifications and automation around governance participation.

The Lido on Terra team acknowledges that we should have communicated more directly about the baseline and reached out to operators in a timelier manner once we noticed a deviation. We will improve this going forward. Nonetheless, following the baseline is a validator's responsibility and Lido delegations are conditional to its requirements.

## Proposal

Properly enforcing the baseline is of great importance to the sustainability of Lido's operations on Terra. We, therefore, invite the DAO to thoroughly discuss the following paths to resolution:

1. Issue a notice for underperforming validators to bring their performance in line with the baseline requirements within a reasonable period of time (provided enough votes are held to increase governance participation); those who do not will be removed from the whitelist. Operators are welcome to re-apply to join at next onboarding.
2. Remove underperforming validators from the whitelist once the 3rd Onboarding Wave is completed. Operators are welcome to re-apply to join at next onboarding.
3. Issue a one-off warning for underperforming validators to bring their performance in line with the baseline requirements as soon as possible. Please note that this is only really being offered as an option due to the recent formalization of the baseline.

## What's next?

We intend to let this proposal sit until 25 Apr 2022 to ensure the DAO has ample time to discuss the issue and form an optimal path to resolution. During this time, we invite all stakeholders, including operators and the broader Terra community for review and discussion of the issue.

Once this window of time expires, the proposal will be amended to take relevant feedback into account, frozen for two days then subjected to the DAO's vote.

The Lido on Terra team will notify operators and enforce the DAO's decision.