

Background

The topic of a minimum validator commission has been discussed on several previous occasions [1-3]. In these discussions, both on the forums and during governance calls, no clear consensus was reached. Several questions related to a minimum validator commission were included in the 2022-Q2 Validator Survey [4]. Twenty (65%) respondents supported a minimum validator commission in principle, with five (16%) neutral, and six (19%) opposing respondents. The median ideal minimum validator commission was 5%, with the median supported minimum and maximum being 3% and 5% respectively. (Figure 1) This signal proposal aims to determine community sentiment regarding the implementation of a minimum validator commission rate parameter that can be changed through on-chain governance.

(a)

(b)

(c)

Figure 1:

The minimum (a), ideal (b), and maximum (c) percentages for a 'minimum validator commission' according to 31 respondents in the 2022-Q2 Secret Network Validator Survey.

Technical implementation

Implement a parameter to set a 'minimum validator commission' through governance in a future software upgrade. The value should be set to 0 in the upgrade itself, with a separate proposal to increase the 'minimum validator commission' parameter following a successful upgrade. Currently it seems that 5% is viewed as the ideal 'minimum validator commission'.

A recent Pull Request for Terra to implement a similar functionality can be found here: [\[Feature\] minimum commission rate upgrade by YunSuk-Yeo · Pull Request #47 · terra-money/core · GitHub](#)

Other cosmos chains with a similar parameter are amongst others: Juno, Chihuahua, Kujira (on its way), and Terra2. Additionally, in Cosmos SDK 0.46 a minimum commission will be baked in, however we will most likely not be upgrading to that version in the foreseeable future.

Voting Guidance

Yes

- You (strongly) agree with the implementation of a 'minimum validator commission' parameter. AND

You think this should be implemented in the near future.

No

- You (strongly) disagree with the implementation of any 'minimum validator commission'. OR

You think a minimum validator commission can wait until a future upgrade to a Cosmos SDK version that features this parameter natively.

Abstain

- You do not have a strong opinion on the implementation of a 'minimum validator commission'.

Why this approach?

Separating the process into multiple proposals: should there be a parameter to set a 'minimum validator commission', and what should the value of that parameter be, enables voters to vote on one issue at a time. This also prevents cases where someone would like to see a 'minimum validator commission' parameter implemented but disagrees with the proposed value.

Arguments in favor:

- Prevent a race to the bottom (0%).
- Shift competition on pricing to competition on contributions.
- Makes uptime even more important as that will be the main way to increase rewards.

Arguments against:

- Any value other than 0% when 100% is possible is an arbitrary number.

- Validators should not be limited in their methods to compete for delegations.

Missing good arguments for or against? Please share them below!

References

- [1] [Minimum Validator Commission - Discussion](#)
- [2] [Commission Rates - The Race To The Bottom \(Floor Proposal\)](#)
- [3] [Governance Meeting Notes Mega-Thread](#)
- [4] [2022-Q2 Validator Survey Report](#)