

[

image

1600×908 96.6 KB

](https://europe1.discourse-cdn.com/business20/uploads/lido/original/2X/7/7c65aff4fa155c8933f49d59485da29000bb3f83.jpeg)

“Like romances, alliances are built on hopes and dreams—what might happen if certain opportunities are pursued.”—Rosabeth Moss Kanter (HBR, 1994)

Outline

[Wishlist: Grow a permissionless, decentralized restaking ecosystem](#)

[Growing an Ethereum-aligned ecosystem around stETH helps decentralize the network](#)

[How should Lido DAO help support the growth of the ecosystem around it?](#)

[Navigating the Lido Alliance](#)

[Lido Alliance Principles](#)

[Conflict resolution](#)

[Onboarding process](#)

[Proposal actions](#)

[Template for Lido Alliance Workgroup Review](#)

Wishlist: Grow a permissionless, decentralized restaking ecosystem

Hasu recently outlined some updated [strategic priorities](#) in light of, among other things, the rapid emergence of the restaking market. To answer part of his call, we propose the below framework as a way of supporting the emergence of an ecosystem around stETH, while keeping the protocol the same.

While our Alliance framework proposal is theoretically open to any new protocol, we wrote it with restaking in mind, and have three points to our ‘wishlist’, as an open call to the community:

1. New staking and restaking protocols that aim to create permissionless restaking architecture and facilitate open markets
2. Permissionless LRTs, i.e. services that curate AVS’ but allow users to delegate ETH in a trustless and multisig-less way (similar to yearn strategies or MetaMorpho vaults)
3. Pre-confirmation services and other AVS protocols that are Ethereum-aligned and can help make the network stronger.

Any of the above are invited to contact the Alliance Workgroup (details to come, should the proposal pass) to explore the Alliance and begin the governance process for endorsement. Of course, the framework is generalist and other protocols that share the same aim are equally invited to participate.

nb.: As part of our ‘not-wished-for’ list are protocols, fund managers or entities that seek Alliance endorsement with the aim to ‘manage’ the Lido DAO treasury, or surplus. Ultimately, DAO token holders are free to vote as they see fit for such proposals, should they emerge from the below process. It is worth reiterating that DAO token holders have already approved minimalistic [Treasury Management Principles](#) to this effect, with the express purpose to remove or automate decision-making from the DAO treasury.

Growing an Ethereum-aligned ecosystem around stETH helps decentralize the network

We think of Lido stETH as a triangle connecting node operators, stETH holders and LDO token holders through Lido stETH software. This software runs autonomously and is designed to align cryptoeconomic incentives to further the purpose of

decentralizing Ethereum validation. stETH is a mission-driven software tool with a proven track-record of decentralizing the network of Ethereum validators through 1) permissionless software and 2) market forces (cf. HHI graph below, source: [Grandjean, Heimbach, Wattenhofer](#)).

Growing the ecosystem around the above mentioned three participants is a powerful way of accelerating Ethereum decentralization. The more attractive it is to [use](#) stETH as collateral, the more the ecosystem grows. This makes it more appealing to participate as a node operator. In turn, and in particular with the possibility for solo-stakers to join through DVT or Community Staking, this increases the decentralization of Ethereum validation.

[

Y3uQhrFpJbAFijf-imOJzYdKX7dyI7DQ0JoTRXvz6kHZpv4DrOhXbk4h8LRXUYU-WSUTkiYYjrlbzb_bltC5v_pllb-EeLT4peisSNjSnYZQqWI4WWs3zL8dnvBqN-q-0Fk3aPRxZ9KTK19dExbSII

1204×368 19.7 KB

](https://europe1.discourse-cdn.com/business20/uploads/lido/original/2X/0/0bddd1b1185c7a1779078bead0ceb5b75e8f9194.png)

How should Lido DAO help support the growth of the ecosystem around it?

Lido DAO has experimented with supporting new protocols in the past through Lido on X. However, the execution led to unstructured frameworks for incentivizing growth and partnerships with protocols where the alignment with Ethereum was unclear. As a consequence, DAO token holders have voted to pull back on virtually all of the Lido on X programs to focus on Ethereum.

[LEGO](#), on the other hand, is an example of a tool that has worked extremely well at supporting the ecosystem growing around this triangle. [In April 2022](#), Lido DAO token holders approved a 2m LDO grant to the Ethereum Protocol Guild to support the development of the Ethereum network. Many other grants have been deployed to support Lido protocol security, security audits for [novel protocols](#) looking to integrate wstETH into their own ecosystems [and more](#). LEGO has, and should continue to have, a role in curating targeted ecosystem grants.

We would like to propose a new, systematic framework for the DAO to signal its support of Ethereum-aligned and security-obsessed protocols and teams. The intent is not to disburse grants, as with LEGO, but to provide an umbrella framework for endorsement and partnership instead. It is designed to remain decentralized and guided by LDO token holders.

Navigating the Lido Alliance

[

image

1920×699 95.3 KB

](https://europe1.discourse-cdn.com/business20/uploads/lido/original/2X/c/c24ecf3d2dd2e3a10c4d8b5f727cc0e4b53732df.jpeg)

Lido Alliance is a framework for Lido DAO to offer support and endorsement for protocols with the same obsessive focus on security and a no-holds barred commitment to decentralizing Ethereum validation. It is a governance process for Lido DAO to identify and recognize projects that share the same values and mission, and have a way to positively contribute to the stETH ecosystem.

The proposal asks for creation of a dedicated Alliance workgroup of Lido Contributors. The group's purpose is to assess potential new Alliance members, facilitate & guide them in the DAO's governance process, as well as help with navigating the potential alignment & product development possibilities. For any Alliance application, the workgroup would be expected to weigh in with assessment results as a note for tokenholders and the wider community. The other two workgroup objectives are

1. Be the first point of contact for Alliance members on an ongoing basis
2. Signal the community and propose offboarding Alliance members in case of misbehavior in regards to stETH or Ethereum alignment

LDO token holders will always be consulted and have a say in the matter by way of a vote whenever there is a major event impacting the operation of the Alliance like any decision to onboard, offboard, or make any changes to the partnership. Such votes would ensure the Alliance Workgroup stays on track in terms of mission and vision alignment and make sure the Allied

Partners' values align closely with the values and ethos of Lido DAO.

While being an ongoing effort, one can expect the Alliance workgroup to facilitate onboarding batches aligned with regular voting cadence. The actual timing is left to the workgroup's discretion. Token holders can expect evaluation and recommendation based on prospective Partner's values alignment, focus and commitment to security and unique and promising ways the partnership can benefit the stETH ecosystem.

Closer affiliation with Lido DAO and the participants in the stETH Triangle can help spread awareness both for stETH and for Allied Partners and their unique technological solutions, which in turn furthers the decentralization of Ethereum.

As part of a proposal and where relevant, Partners have the option to offer a token airdrop to the Alliance. Those tokens would be committed to the Alliance in perpetuity. Any action towards airdropped tokens would have to be vetted by both Alliance Workgroup and the Lido DAO.

Lido Alliance Principles

- Partners should:
- Share philosophy alignment:

Align with Lido DAO's vibes, centered around the purpose of preserving Ethereum's decentralization, accessibility and resistance to censorship.

- Focus on integrations:

Tailor product integrations for the Lido protocol to enhance the project's value proposition, expand market reach and foster synergistic growth opportunities.

- Have an Obsessive Security Culture:

Uncompromising, relentless approach to security for users

- Share philosophy alignment:

Align with Lido DAO's vibes, centered around the purpose of preserving Ethereum's decentralization, accessibility and resistance to censorship.

- Focus on integrations:

Tailor product integrations for the Lido protocol to enhance the project's value proposition, expand market reach and foster synergistic growth opportunities.

- Have an Obsessive Security Culture:

Uncompromising, relentless approach to security for users

- Partners should not:
- Misrepresent the Alliance:

Partners must avoid misleading references to participation in the Lido Alliance

- Front run the DAO:

The prospect of a partnership or collaboration should not be used for business development or marketing

- Take security shortcuts:

No

- Stealth Allocate:

Attempt to use the Alliance endorsement process to 'allocate' part of Lido DAO's treasury in contravention of the [Treasury Management Principles](#) or its rules

- Misrepresent the Alliance:

Partners must avoid misleading references to participation in the Lido Alliance

- Front run the DAO:

The prospect of a partnership or collaboration should not be used for business development or marketing

- Take security shortcuts:

No

- Stealth Allocate:

Attempt to use the Alliance endorsement process to 'allocate' part of Lido DAO's treasury in contravention of the [Treasury Management Principles](#) or its rules

- Partner protocols should be, where relevant:
- Ethereum-aligned
- Thoroughly vetted from a security perspective
- Open-source, with open-license smart contracts
- Ethereum-aligned
- Thoroughly vetted from a security perspective
- Open-source, with open-license smart contracts

Conflict resolution

In case of disagreement in relation to a specific partner, LDO token holders would always be able to vote for discontinuation of the partnership with a specific Partner. In this case, the partnership would be considered dissolved and Lido DAO's endorsement would be immediately revoked.

If Partners are dissatisfied with the level of support dedicated to them on behalf of the Alliance Workgroup, they may, through their own governance processes, vote to dissolve the partnership and disavow Lido DAO endorsement.

Onboarding process

1. The prospective group reaches out to the Alliance workgroup
2. Alliance Workgroup looks to determine what the "Alliancing grounds" are:
3. if the values of the prospective team match with Lido DAO's
4. if the product aligns & contributes towards the growth of the stETH ecosystem
5. if the team has held a high bar of security practice and diligence
6. if the values of the prospective team match with Lido DAO's
7. if the product aligns & contributes towards the growth of the stETH ecosystem
8. if the team has held a high bar of security practice and diligence
9. Alliance workgroup and the prospective group fleshes out what the partnership particulars could look like before sharing with the DAO
10. With the Alliance Workgroup's facilitation, the external group prepares the proposal for the DAO to onboard the project into Alliance
11. Alliance Workgroup shares their perspective and feedback on the proposal, providing the details & context to the Lido DAO community
12. The DAO decides by vote whether to onboard the prospective team to Alliance
13. Endorsement is regularly reviewed by the Alliance Workgroup and material changes to the recommendations could be issued in turn

Proposal actions

This proposal requests:

- Recognition of Lido Alliance as a group of Lido-aligned projects
- Authorization from Lido DAO for Contributors to enact this proposal

- Approval of the initial wishlist

This proposal also authorizes the creation of a temporary Alliance Development Committee composed of current Lido contributors, that will lead reviews for candidate protocols until the Alliance Workgroup has been appointed.

The proposal is aimed to be self-executing so that if the DAO approves it with a vote, it would not be necessary to run a subsequent vote once any real-world legal entities are in existence and ready to operate, whereas the temporary Alliance Development Committee will socialize the particulars through the research forum.

The proposal pursues idealistic non-profit goals about alignment on vision and mission and any admission of a Partner into the Alliance should not be seen as any form or shape of financial advice, nor shall it affect in any way any monetary perception about any involved tokens.

Disclaimers

Steakhouse has served Lido DAO as the finance workgroup since September 2022.

Illustrative template for Lido Alliance Workgroup Review

Key Terms

Ethereum-alignment and commitment to decentralize validation

Use-cases for stETH adoption and integration

Opportunities for node operators

Executive Summary

Dimension

Conclusion

Comment

Security Evaluation

Ethereum Decentralization

stETH Adoption

Benefits to Node Operators

Integration Complexity

Recommendation: Accept / Reject