

# Transparent & predictable emission schedule

I believe that it is important to determine a predictable and transparent emission schedule that awards governance rights to users and supporters of Lido in a fair and calculable way.

It's my opinion that the lack of a predictable schedule causes anxiety, confusion and causes an unreasonable burden on a user to investigate how to claim their LDO governance voting power. The DAO issuing piece-meal governance airdrops can cause information asymmetry between users – it is difficult for a user to easily learn about LDO distribution and their voting rights as a users.

It should, of course, be possible for this emission schedule to be changed, broken or deferred from by the DAO but these occasions should only be extreme situations, such as an emergency.

Please note that I am not a lawyer and I don't know the legal/compliance implications of these thoughts – it is possible parts of this post may include ideas that could cause increased regulation and compliance risk for Lido. The DAO should review any actions it takes with proper counsel. This is document intended only as my unfiltered thoughts.

When should LDO be issued?

It would make sense to me that governance voting power is given to:

1. Users that stake ETH with Lido
2. users that use Lido should be given a say in the governance of the protocol
3. Users that support the Lido ecosystem
4. users that support the Lido ecosystem through, for example, helping maintain the stETH to ETH peg.
5. Developers building for Lido
6. anyone can build for Lido and community members have already built extensions or integrations. It should be possible for developers that participate in building the ecosystem to become DAO members with voting rights.

Users staking with Lido

Given ETH 2's current implementation, users that stake with Lido are locking their ETH with Lido until transactions are enabled on ETH 2. This is a long-term commitment and carries some risks.

These users should have a say in the governance of the protocol. For example, they should have a voice if there were ever a vote to increase fees on Lido.

I think it's important that these governance votes are truly for users of Lido rather than some quick farming option for ETH holders. It's possible that a bad actor could stake ETH, sell their ETH for stETH and stake ETH again in order to farm a large governance position to vote maliciously while damaging the ETH/stETH liquidity pool.

I think the DAO should explore options for vesting these governance votes and distributing them to stETH holders, rather than to new-stakers. After all, stETH holders are the people that are truly using Lido to stake their Ethereum.

A straw-man on how this might look – please note, any quoted numbers are intended only for simplicity of the example:

- An stETH holder that holds 1 stETH receives 1 'vested Lido governance token' every day that they hold this stETH.
- This vested Lido governance token is non-transferable and unlocks after one year.

Users that support the Lido ecosystem

While Ethereum 2 is in early phases, with no transactions enabled, and no ability to unstake or move ETH on the beacon chain I believe Lido's most important service is the ability to easily move back and forth between ETH1 and ETH2 without losing %s of your ETH.

Other liquid staking protocols with tokenised staked ethereum are already suffering with their ETH to ETH2 peg. Both Cream and Ankr's tokenised ETH2 are trading 10% and 15% below the price of ETH respectively, whereas Lido's tokenised ETH2 has maintained the peg despite ETH market itself taking a -30% hit.

This is due to the large amount of liquidity in ETH and stakedETH in the Curve pool. Until it is possible to unstake ETH, I believe maintaining this liquidity (and therefore a "two way door" for ETH staking) is very important for Lido users.

While the exact methods of ecosystem support may not remain constant over the coming year, I believe it's important to have a predictable emission schedule for this category as a whole.

Perhaps the entire allocation of this category it used to incentivise the Curve pool until transactions are enabled on ETH 2 –

or perhaps used in more ad-hoc ways, such as “topping up” the ETH2 rewards with LDO emission until all ETH2 validators are online and the ETH staking APY is achieved.

An example emission may be:

- The Lido DAO will give away 20,000 Lido Governance tokens in 2021 to support the Lido ecosystem, to be distributed linearly throughout the year.

Developers building for Lido

The best developer ecosystems create the best protocols.

I am hugely in favour of a well-populated Gitcoin (or otherwise) scheme to allow open source developers that want to build a core piece of Defi to own governance rights to that protocol.

There are many strong crypto ecosystems and a lot of very strong developers. We should make it easy for crypto developers that want to contribute to decide to help build Lido.

Again, I don't think it's possible to identify the minutia at this time, but a predictable and transparent allocation I believe is important to the ecosystem's development.

An example emission may be:

- The Lido DAO will give away 50,000 Lido Governance tokens in 2021 to developers building for Lido. 50% will be distributed via gitcoin grants.

Predictable, transparent emission

Overall, I believe the DAO should settle on something that looks a little like this – please note, once again the numbers are placeholders and I have no math to suggest these are correct, and the specific suggestions of usage should be decided by the DAO also:

1. The Lido DAO will give 40,000 LDO to stETH holders throughout 2021.
2. The Lido DAO will give 60,000 LDO to ecosystem support. Initially, this will be provided to the Curve pool for the next 6 months, for example. The DAO will reevaluate at 6 months.
3. The Lido DAO will allocated 100,000 LDO to gitcoin grants throughout 2021.
4. The Lido DAO will target a similar emission schedule throughout 2022, pending review and governance voting.

The final result being LDO voting power in circulation is predictable and transparent.

Each allocation/area will need a concrete proposal that has been rigorously discussed – these things should not be tested in prod, but carefully thought through.

My aim here is to begin a discussion about how we can best build and support the ecosystem for users that want to stake with Lido, and simultaneously provide the best possible liquid staking protocol for Ethereum.