Lido DAO's mission is to make Ethereum staking simple, secure, and decentralized. Lido on Ethereum launched with a curated validator set, which has enabled the protocol to grow to its current size robustly but leaves some room for improvement from the perspective of allowing a bigger range of independent node operators to more easily interact with the protocol. Recent long-range goals approved by the Lido DAO (proposed by @Hasu) suggest the introduction of a permissionless staking module. Given that the recently approved Simple DVT module is the only available avenue for Community Stakers to become Node Operators in the near future and that there aren't currently permissionless elements in Simple DVT, this proposal aims to address this gap.

A significant portion of ETH is staked with Lido but distributed amongstless than 40 Node Operators. Lido V2 upgrade introduced a re-architecture of the protocol via the implementation of the staking router that allows for modularising the validator set. At the same time, on the Ethereum base layer, EIP-4788 and EIP-7002 have been proposed. These add crucial features for secure permissionless validation, namely beacon_root

and triggerable validator exits on EL.

With these updates, it is possible to extend the operator set significantly, for example, by adding a new staking module that allows for permissionless entry with a bond. Combining permissionless entry with a bond requirement has proven to be a great approach to validator set formation. While providing coverage for the possible issues or inappropriate actions from the Node Operators' side, it also makes Node Operators and stakers economically aligned. The appropriate size of the bond will depend on the state of relevant Ethereum upgrades (EIP-7002, 7251, etc.) and corresponding risk assessment research.

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csm

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Our proposed name for this staking module is Community Staking Module (CSM)

. To make it appealing for the solo-stakers and community stakers to join CSM, we suggest focusing on the following key value propositions:

- EL rewards and MEV are smoothened across the largest validator set in Ethereum thanks to SR architecture;
- Competitive bond;
- Friendly UX with low gas fees;
- Only ETH (stETH) for bond and rewards;
- More profitable than vanilla solo staking;

We propose allocating up to 10% of the stake to CSM. This will make CSM stake comparable to the largest permissionless staking solution in the market - Rocket Pool. To ensure security, reliability, and better battle test of CSM, we suggest increasing stake allocation starting from 1% gradually.

To ensure a rapid start of CSM, it is proposed to utilize the stake allocation mechanism introduced by the staking router (modules below target allocation with available capacity get stake first), given that CSM will be below target allocation at the module launch. Since "bonded" validators are more appealing to the protocol regarding security and economic alignment, it is proposed to set the lowest exit requests priority (to cover withdrawal requests) for CSM validators.

A more detailed description of the possible CSM design and decision drivers can be found in the CSM Landscape.

HackMD

Community staking landscape - HackMD

The term "community stakers" has been widely used by Lido DAO contributors as a reference to independent individuals or groups running validators while being aligned with the Ethereum goals and values.

There is a team among Lido DAO contributors willing to implement CSM (authors of the proposal). Previously referred to as the Automation team (@dgusakov, @madlabman, @skhomuti, @vgorkavenko, and @Aleksandra_G), the team has made several meaningful contributions to Lido DAO and the Ethereum ecosystem, namely Ethereum-validators-monitoring (initially developed by Lido Tooling team), Ethereum-head-watcher, Polygon-validators-monitoring, Lido TRP smart-contracts, Full-featured on-chain monitoring for Lido protocol and participated in Lido V2 development. According to our estimation (and assuming DAO approval), developing and proposing CSM mainnet deployment is possible before the end of 2024.

We believe implementing a successful permissionless staking module is only possible with partnerships and collaboration with the DeFi ecosystem projects and teams. To facilitate this LEGO support will likely be needed. The expectation is that things like Ethereum validation set-up, monitoring tools, and other useful off-chain tooling can be developed by ecosystem partners. Collaborations that require LEGO support will be put forward based on feedback to this post and additional RFPs.

We aim to create a supportive and appreciated community of CS Operators. With the enormous support of the Community Lifeguards, community stakers engagement has already been started. Several DVT testnet trials have been conducted by the NoM work-stream contributors (Round 2, Simple DVT testnet). Community Lifeguard coordinator Eridian recorded an outstanding Community Staking Podcast Series and prepared explanatory posts about Lido. The first samples of #LidoBox

hardware have been produced in collaboration with the Homenode and Ebunker:

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box3

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Anyone can participate in the permissionless module. Yet we want to enfranchise solo-stakers participation particularly. By working closely with the community, we aim to attract at least 300 independent Node Operators

within the first three months after the launch.

We seek feedback from the community and Ethereum ecosystem developers about the proposed module.