We are asking the community to discuss and vote on setting a maximum commission for a validator to be eligible to receive delegation from Lido on Solana in version 2 of the soLido program.

Proposal

Previously, we published a proposal concerning an overall protocol upgrade, that can be foundhere. Among others, the important change is that there will be no need for 100% commission nodes, so node operators can use their public node in the Lido set or make their existing Lido node public.

We would also like to suggest setting the maximum commission for a validator to be eligible to receive delegation from Lido on Solana to 5%.

Motivation

In general, Lido applies a 10% fee on earned staking rewards. This amount is now split between node operators (5%), the DAO treasury (4%), and the Lido on Solana dev team (P2P)(1%), the current Lido for Solana developers. At this stage, we would like to leave it like this.

Due to the change in the delegation model and the fact that stake is still equally distributed across all nodes in the set, we do not think that validator commission should be set to be more than 5% as we will, in turn, have a lower APY than now, so it will be much harder to compete.

The more stake we have - the more profitable Lido on Solana will be for each validator. We are not going to invite more validators to the pool until we get enough stake to be profitable for everyone.

Possible options for Node Operators as a result of this change

Add a public node into the Lido on Solana validator set

An operator could add their public node to the Lido set in replacement of the existing "private" node, and therefore not have to run two nodes. This would reduce expenses for an operator by decreasing costs associated with running multiple servers. However, the operator would need to ensure a commission equal to or less than5%, otherwise, no stake would be distributed to the node.

Migrate current private Lido node to the new version of the smart-contract

An operator can also just migrate the node already in Lido to the new version of the smart contract (i.e. reduce commission of the existing Lido validator to <= 5%, set appropriate withdrawal authority, register the validator identity in the registry). In this scenario the operator could continue to run their existing public node with the commision rate of their choice, however the commission for the node registered with Lido would remain <= 5%. In this scenario both nodes would be public and could receive public delegations, but the Lido node could potentially compete with the operator's other public node(s).

What comes next

Right now, we are in the middle of the external audit of the new version of the smart contract being made by Neodyme.

If everything goes as planned, after this discussion of the proposal, we plan to put this suggestion through DAO voting.