

TL;DR:

- Introduce a new rewards distribution model for \$LDO stakers, providing rewards in \$ETH instead of \$LDO to directly tie benefits to the protocol's main activity.
- Redirect 40-50% of Lido DAO revenue to \$LDO stakers in \$ETH, adjustable by governance vote.
- Maintain a 14-day vesting period for rewards to promote long-term protocol alignment.
- Staking \$LDO offers tangible value from protocol revenue, aligns incentives, and reduces potential sell pressure on the \$LDO token.
- **No buybacks/burns of \$LDO, those are of no interest to nobody.

Executive Summary

Start a distribution mechanism for \$LDO stakers by introducing a system where rewards are distributed in \$ETH rather than \$LDO. This change aims to directly align staker rewards with the protocol's primary activity and revenue source, enhancing value accrual to \$LDO token holders and improving the overall Lido ecosystem's health.

Proposal Details

Objective:

To enhance the \$LDO token utility, align incentives across the Lido ecosystem, and provide direct, tangible benefits to \$LDO stakers through \$ETH rewards.

1. Revenue Sharing Mechanism Adjustment
2. Previous Proposal

: A portion of Lido DAO revenue is redirected to buy back \$LDO tokens, distributing them to \$LDO stakers. (Awful idea, don't think of it again, thanks)

- Proposed Change

: Redirect a configurable percentage (40-50%, governed by Lido DAO voting) of Lido DAO's revenue from the protocol treasury directly to \$LDO stakers in the form of \$ETH.

1. Implementation of ETH Distribution
2. Distribute \$ETH to \$LDO stakers on a weekly basis, proportional to their staked \$LDO tokens.
3. Maintain the proposed vesting period of 14 days for the distributed \$ETH to ensure long-term alignment and commitment.
4. Insurance Fund Considerations
5. Uphold the establishment of a minimum threshold for the LidoDAO insurance fund.
6. In the event of a fund reserve shortfall, prioritize fund replenishment through the same revenue redirection mechanism, temporarily pausing \$ETH distributions if necessary.
7. Staking Terms and Conditions
8. Retain the proposed 14-day unstaking cooldown period for \$LDO stakers to support protocol stability.
9. Implement a risk mitigation mechanism that aligns with industry standards, ensuring the sustainability of the rewards system.
10. Benefits of the Proposed Change
11. Direct Value

: \$LDO stakers receive rewards in \$ETH, offering immediate and tangible value from their participation in the protocol.

- Aligned Incentives

: Rewarding stakers in \$ETH ensures alignment between the protocol's success and the stakers' benefits, fostering a healthier ecosystem.

Next Steps

We propose initiating a discussion period of 7 days for community feedback, followed by a signaling vote on Snapshot.

This period will allow us to refine the proposal further and ensure it meets the community's needs and expectations.

By adjusting the rewards mechanism to distribute \$ETH, we aim to provide a more compelling and beneficial staking proposition for \$LDO token holders, ensuring the Lido protocol's continued growth and success.