

Context

At the heart of the Lido Liquid Staking protocol is its rebasing mechanism, which currently happens daily — rebasing acts to distribute staking rewards to stakers, along with fees to Node Operators & the protocol itself.

Since it is currently not possible to permissionlessly and trustlessly check the balances of Beacon Chain validators from the Execution Layer (where the Lido protocol smart contracts are) — at least until something like [EIP 4788 is implemented](#) — the protocol relies on a set of Oracles to be able to check and transmit the balances of Lido validators from the Consensus Layer to the Execution Layer. The Oracle mechanism consists of a set of [offchain daemons](#) operated by independent parties responsible for observing & reporting the total balances of all Lido's validators & the [smart contract](#) implementing quorum mechanics for those reports.

That way, the Lido protocol doesn't depend on single entity properly calculating the balances & reporting those. The current Oracle set consists of 5 participants (all of whom are currently Lido Node Operators).

Requirements for Oracle Operators

1. [Running offchain software](#)—that should be up every day for 1-2h around 12PM UTC (rebase time)
2. Providing gas funding for sending daily Oracle report transactions
3. Whitelist the address through the Governance process

The [Oracle Operator Manual](#) contains details on setting up and monitoring an Oracle.

The Proposal

Securing Oracle operations is important to ensure the robustness of one of the core mechanisms that underlie the Lido DAO. Increasing the Oracle set & welcoming trusted third parties should be a win for DAO.

The DAO is considering increasing that number to 9 (5/9 consensus) or 11 (7/11 consensus) total entities, with a preference for participants who are not currently Node Operators. Additionally, it can be argued that it would be beneficial for the protocol's safety & resilience, so that's something the Lido team would 100% be looking forward.

This is an open call for parties who may be interested to join Lido on Ethereum's Oracle set. Based on interest received, the DAO should decide by how much the Oracle set should be increased and which new participants should be added.

Open questions for discussion

1. Should the DAO increase the size of the oracle operator set?
2. Should oracle operators be remunerated for their services—especially if these are third parties that do not have a revenue stream that is tied to Lido (as NOs do for example)? If so, how and by what margin?

About the author

I am the co-founder of [Rated](#), and a member of the Lido DAO since the first [Treasury Diversification Proposal](#). You can find more about me [here](#).

Note: Rated would be looking to participate in Lido Oracle set as a third party, subject to terms.