Why a Lido blockchain?

Lido is uniquely positioned with the perfect confluence of events:

1. # 1

Ranked TVL in all of crypto

1. Ridiculously high gas fees on ethereum and we're not in the main part of the bull run
2. Significant user base around key opinion leaders (more below in Key Thesis section)
3. Large treasury
4. Yield Ecosystem (currently informal)
5. Connects to all the quality chains
6. Lacks a strong community
7. Why is Lido giving stETH to Mantle, zkSync, Coinbase, etc. None of these chains have significant user adoption compared to Lido, but some are looking to compete with Lido for staking (e.g. mETH, Coinbase stETH, bETH, etc.). Lido has won, you no longer need to chase people down to use stETH.

Key Thesis

Quick google search lido has over 100,000 users. Notably, these are sticky POWER Users. Why send those users to do defi on other chains? These are the key opinion leaders in all of crypto. There is no other application that has this many sticky Power Users. Why wouldn't you want to have a perfect reflexivity, zero leakage to incentivize them to keep their stETH in Lido's execution environment. Notably, Coinbase and OKX have launched their own L2's and Binance has BNB chain. The users are already there, the funds are already there and thereby very little friction to onboard those users to Web3 from their exchange. Same applies to Lido chain, but it is OG web3 native.

Currently the LDO token has significant leakage as it does not accrue value and turning on a fee switch may cause unnecessary regulatory burden. A Lido blockchain is a way to have a perfect feed back loop for the token to accrue value in a legal way, while providing Proof of Stake security to potentially the largest network in the crypto industry.

What/How Lido blockchain designed?

1.

Gas cost as close to zero as possible: Have a native chain in which you can stake , unstake, restake, etc. This can only currently be done on ethereum but we can do it natively on the Lido chain. It is generally the same price on Ethereum if you are staking 1 eth or 10000 eth. The Lido chain can batch, etc. and then under the hood it stakes to eth mainnet, effectively using close to zero gas.

2.

Intentionally designed chain for stETH borrow lend, which would be likely immediately seeded with significant TVL. Incentivize stETH to stay on Lido chain. Also the treasury can be used for grants program, hackathons, dex, omni chain (more on omni chain below)impact. Incentivize bridging to the chain.

3.

This will probably clear billions of dollars of volume, a dex and stablecoins would likely quickly emerge. Dex can be copy pasta (open source) with limit orders, etc.

4.

Lido chain as an Omni chain layer as a one stop shop with bridging completely abstracted away. Defi between all chains with close to zero gas. This will likely be the most difficult part and should be the end of the road map. Likely can cross-chain to BTC as well. But 5 years from now, if there is one permissionless execution environment (that encompasses all chains) with the highest TVL for stETH as the pristine collateral of the internet, that could very well be the highest market cap "bank" / borrow lend operation in the world including trad-fi.

Design Space ideas

Need a minimum amount of LDO to be a validator on Lido chain (e.g. 100,000). People can delegate LDO to u to increase amount, can take commission. Gas tokens may include stETH, ETH, wstETH, and/or LDO. Staking rewards can be paid out in LDO and/or stETH as well as gas used, creating a further flywheel to increase demand. Rewards could also include any MEV extracted on both the new lido chain and eth mainnet.

Key Risks and Tradeoffs

(A) bridge security risk - but bridges between chains for stETH is being done anyway, so this is not really a significant risk;

(B) some Power Users leaving because of competing chain. BUT, if they are economically incentivized to stay via various rewards including staking rewards in LDO, stETH, etc. it is likely they will not only stay but cause a fly wheel of network growth. Why send them to coinbase chain? Lido have the biggest TVL, keep it. Not only are they 100,000+ users but its very sticky users, OGs that are sticking around; and

(C) Security. 5 years ago it was VERY expensive and dangerous to launch a chain. Now using already established technologies it can potentially be safely rolled out in a weekend (e.g. OP Stack, Rollkit).

Concluding Remarks

Notably, Lido currently has exponentially more users and TVL than many projects that have a higher market cap. Those projects likely have a higher market cap due to receiving the market's perceived L1/L2 premium of an open source permissionless GDP. Providing a native execution environment for stETH, etc. with a significant user base would likely provide a significant premium for LDO and a potential renaissance of ideation that can not be done on ethereum due to high cost to transact, nor any other chain due to their lack of native stETH.

The main takeaway is Lido is a juggernaut. Lido is subsidizing stEth adoption on other chains, so why not launch their own chain focused on LDO and stEth. It would benefit stETH, ethereum community, LDO holders and would engage the Lido community.

What is the reason to not do this?

The key reason to not launch a Lido L1 is removing all the stETH which is the primary way ethereum is provided security, off of ethereum to a new L1.

But what if instead, this served as a live in production test net for ethereum, where novel ideas are "tested" in a decentralized mainnet before they reach ethereum (e.g. zk rollups, advanced ponzinomics (MEV, flash loans, eigen-like layer, native yield, combinations, etc). For example, perhaps just a minority of stETH may be moved to the Lido L1, not all of it. It is likely this is all that is needed (see Dfinity Internet Computer, Cardano, Polkadot, Near, Injective, etc. as they have very low TVL but each is their own unique experiment in consensus, community and defi).

But you say why not just roll those ideas on Arbitrum, Optimism, Mantle, etc.? Arb, OP and Mantle use ONLY A SINGLE SEQUENCER, controlled by the Arb, OP and Mantle entities.

This is outrageous that these single entities control these chains, not just the token supply, but literally how transactions are ordered. Every block is at risk of the Arb, OP and Mantle teams being good actors, which is the opposite of what crypto was created for - truly absurd.

In short, these L2s named above are NOT decentralized implementations. They do not provide liveness or MEV resistance. Notably, BLAST is likely just going to be OP Stack and is currently just a multi-sig that has attracted appx. $1 billion in TVL with the promise of "native yield" from Lido's stETH and MakerDAO RWA US treasury yield.

All this capital again will be controlled by the Optimism sequencer which is controlled by OP Labs PBC, a Delaware corporation (Division of Corporations - Filing , type in OP Labs). This means that the sequencer that controls all that TVL is at the behest of the US government. I re-iterate: ALL OF THE CAPITAL ON THE OP STACK IS CONTROLLED BY A SINGLE MACHINE OPERATED BY A UNITED STATES CORPORATION.

As security models of blockchains evolve, it is likely best to start with a sovereign state machine which can be iterated on. In time, zk rollups (validity proofs) will win out over optimistic rollups (fraud proofs). ZK Rollups will not be implemented on the ethereum L1 for many years. Single sequencer chains (OP, Arb, Mantle) are dangerous to the crypto space and should be pushed back against.

In addition to all the above, a LDO chain would likely provide:

- a strong community narrative,
- utility for the LDO token to accrue value in a legal way without reliance on a "safe harbor" which may never come
- unprecedented ideation and innovation to the crypto space.