

# Background

Despite initial optimism and significant investments, Lido on Polygon [proposal](#) by Shard Labs guided by community comments was flawed in terms of economics and has not lived up to expectations.

A similar situation was observed on all of the Lido on X editions. The latest one is highlighted with [Lido on Solana](#).

Lido on Polygon (LoP for further reference) has faced challenges such as low user adoption, insufficient rewards on time and resources investment due to limited Polygon ecosystem growth, and increased competition for a small capturable market. In reality, with the DeFi migration push towards zkEVM, demand for Polygon POS and liquid staking as a building block of other protocols lost its footing.

These factors necessitate a reevaluation of current and future economic modifications to ensure the middleware survival or the discontinuation of the staking middleware to maintain Lido DAO focus on Ethereum, as voted in [GOOSE](#) and [reGOOSE](#).

There are two possible paths for the future of Lido on Polygon: transitioning towards sunseting or reevaluating the economics of the middleware.

## Option Sunset Lido on Polygon

This option entails a gradual, organized Lido on Polygon sunseting with the following characteristics:

### 1. Key Dates for Sunseting

:

- Announcement Date

: December 16, 2024

- Stop New UI Staking Deposits

: December 16, 2024

- Official Termination

: June 16, 2025

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### 1. Steps to Implement Sunseting:

### 2. Notifying the integrators:

inform all integrators (e.g., Aave, QuickSwap) to delist the asset.

- Notifying the users

of key dates and steps they need to take via Lido Research Forum and other channels.

- Provide Methodological support

: provide detailed guides and other content to help users withdraw their staked MATIC smoothly.

- Prepare UI and provide Tech support:

ensure all staked MATIC will be available for withdrawal until June 16, 2025; users will be able to withdraw their funds via the [Lido on Polygon middleware UI](#); after that date, withdrawals will be possible only using explorer tools.

- On-chain steps

(will consist of 2 bundles of transactions, but no need for a further DAO on-chain vote):

- First bundle: remove all node operators and pause middleware
- Second bundle: unpause middleware and transfer MATIC to stMATIC contract

Note:

Middleware will remain unpaused as there is no way to pause just submit

function. However that will be disabled in UI. If, for any reason, users still submit funds to contracts, they will remain claimable forever.

- First bundle: remove all node operators and pause middleware
- Second bundle: unpause middleware and transfer MATIC to stMATIC contract
- Closure of Operations

: Officially terminate the LoP operations by June 16, 2025

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1. Operational Costs:

Request \$20000 DAI/USDT/USDC per month for 5 months (\$100000 overall) to cover technical maintenance and user support during the sunseting period. This is in line with DAO approved Lido on Solana sunset (see: [Lido on Solana: next steps](#), [Sunset of Polkadot and Kusama](#)).

1. Wrapping up Lido on Polygon Multisig

Original Lido and Shard Labs agreement sets out 80:20 revenue share between the parties. LoP middleware itself is implemented that protocol fees are sent to Lido DAO Treasury and Lido on Polygon multisig (0xd65Fa54F8DF43064dfd8dDF223A446fc638800A9) in 50:50 ratio. As ShardLabs never claimed any funds from either sources, we propose that ShardLabs's part is paid out from multisig (two-fifths of the MATIC in the Lido on Polygon multisig) and rest is transferred to the Treasury. That is inline with the above mentioned agreement.

## Option Initiate reevaluation

This option entails forming a dedicated group to reassess the protocol's future: Lido DAO Contributors and Shard Labs (and optionally independent) will form an evaluation group with background both in DeFi tech, BD and marketing to conduct a comprehensive analysis of the market conditions and viability of continuing liquid staking middleware support for the Polygon POS chain. This group will also review and adjust the fee structure to reflect the operational costs associated with the upcoming Polygon 2.0 upgrade, ensuring alignment with the DAO's financial framework.

Preliminary prediction of the development and maintenance pricing giving the incoming Polygon 2.0 upgrade (which requires middleware rewrite) is in the same ballpark as Lido on Solana with 1.5 million USD for the next year of operations. Given current fee structure is 80:20 split where 80% goes to the DAO treasury and 20% to Shard Labs, expectation is that DAO funds the 80% of the efforts to continue the operations.

The current state of Lido on Polygon, to help illustrate the need for these expenditures, can be reviewed here [Lido on Polygon Metrics](#).

## Conclusion

We suggest to start voting, providing Lido DAO a way to choose between these options. Shard Labs will respect any token holders' decision and continue to operate in good faith, adhering to [the mission, vision, and purpose of Lido DAO](#).