TL;DR

Lido DAO-ops workstream contributors propose implementing Simple On-chain Delegation to address the security and operational hurdles arising from the lack of delegation for on-chain voting.

The Simple On-chain Delegation allows LDO token holders to delegate their voting power to other addresses and delegates to participate in on-chain voting on behalf of their delegated voters.

This quick and cost-effective solution involves some simplification of the user experience; however, it is intended to address urgent needs while the contributors are working on a more comprehensive solution.

Motivation

In the current conditions, reaching a quorum in on-chain voting has become highly challenging, and several consecutive votes failed to reach a quorum. The absence of an on-chain delegation is a blocker for stable and sufficient participation in on-chain voting and protocol development.

Abstract

This proposal is intended to allow LDO holders to designate addresses as their delegates. Delegates will be able to take part in on-chain voting using the voting power delegated to them. Each delegate will be able to use the voting power of multiple delegated voters.

Alongside that, it's proposed to add TRP (Token Rewards Plan) participants the ability to delegate their LDO rewards.

Projects objective

Three vectors can be directly or indirectly solved through on-chain delegation:

1. Activate the voting power of the voters who are already involved in the governance process and have delegated their voting power on off-chain snapshot.org but have never participated in on-chain voting.
2. Ease the on-chain voting process for those who are already involved in the governance process and participate in on-chain voting but irregularly. There are various reasons for this: limited and complex access to cold wallets given the short 48-hour voting phase or multi-sig as a token holder.
3. Attract those willing to participate in the governance process when Lido DAO determines an open delegation mechanism with a list of delegates.

Contributors to the DAO operations value stream are targeting a 20-30M LDO increase in the quarterly active voting power participation for on-chain votes (for Q4 2023, the quarterly active VP on on-chain votes accounted for ~90M LDO, and on off-chain snapshot.org ~120M LDO).

Design Requirements and trade-offs

A proper full-fledged delegation mechanism involves maintaining an accounting to track actual delegated voting power at any moment accurately. Implementing this is a complex and time-consuming project.

The current solution is a simplified version that addresses three basic requirements:

1. There is a mapping of token holders' and delegates' addresses; the token holder can set a delegate and cancel the delegation, and the delegate can obtain the addresses of all those who have delegated to them.
2. A delegate can vote on behalf of a token holder or a list of token holders.
3. A token holder has an ultimate authority, they can override the delegate's decision on a vote.

You can dive into the design description of the solution in the specificationLIP-21. Simple On-chain Delegation.

Comments are welcome!

Next steps

Now the solution is going through several security audits.

The snapshot vote is scheduled for the March slot.

And on-chain voting (hopefully the last one without the delegation feature) is planned for the April slot.

Stay in touch!