Shard Labs is bringing Lido to Polygon to enable users to stake Polygon's global token (MATIC) in a decentralized and secure way and to enable its use on decentralized markets — all of it with a simple click of a button on the UI. Additionally, Lido seeks to further the decentralization of the Polygon ecosystem by spreading stake across a multitude of providers, including new operators to Polygon, and increasing capital efficiency in the ecosystem — enabling staked MATIC to participate in DeFi on Polygon.

Becoming a Validator on Lido for Polygon

One of the core parts of Lido for Polygon are Node Operators. They are responsible for managing a secure and stable infrastructure for running Polygon validator infrastructure for the benefit of the protocol decentralization and accumulating rewards. They are professional staking providers who can ensure the safety of funds belonging to the protocol users and correctness of validator operations.

Polygon's validator set consists of 100 validators, for which slots were initially granted on a first come, first served basis. Since an auction mechanism for slots is not yet active, the only way to replace the existing validators is to come to an agreement with them and have them give up their slot, which is represented by the staking NFT held in the owner account.

This directly affects the way Lido can choose Node Operators since it puts a restriction on candidates. Lido is approaching lower performing Node Operators in order to come to an agreement and gain additional slots for onboarding new Node Operators. Whenever slots are purchased from existing operators, or via auction, Lido will seek to distribute them in a fair fashion to accepted applicants.

In order for a Node Operator to join Lido for Polygon, they need to submit an application during one of the upcoming onboarding rounds. Applications will be evaluated by the Lido Node Operator Subgovernance Group. Once applications are evaluated, a shortlist of suggested operators is sent to the DAO for approval. After DAO approval, operators will be added to the Lido for Polygon Node Operator registry smart contract which enables them to join Lido. Finally, a Node Operator can begin receiving delegations from Lido by calling the "join" function through Lido contract using the validator owner account which holds the staking NFT. Calling that function will transfer the staking NFT to Lido protocol and set the Node Operator to active status.

Why is ownership transfer required?

One of the requirements is to set your commission to 5% before joining Lido. After transferring the ownership to Lido protocol, you will not be able to modify the commission fee by yourself. This is done to ensure uniformity across the Lido operator set. This value could be modified in the future by the Lido DAO.

What happens to the existing stake on the Node Operator?

Your validator will not lose existing delegators nor rewards. You will not have any downtime in the process. You will be able to claim all future validator rewards using Lido smart contract function call. Rewards will be sent to the address you provided during the node registration procedure.

How will Node Operator rewards and fees change?

There will at least three reward income streams:

- Node Operators will be able to collect validator rewards (rewards accumulated from their own stake).
- They will receive commission from the delegator rewards that they set. The commission rate is initially 5% (this value can be updated through a governance vote).
- Matic delegator rewards across are distributed in the following way:
- 90% gets restaked (i.e. turned into stMATIC),
- 5% goes to the Lido treasury,
- 5% is distributed equally amongst all active Lido Node Operators.
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Can the same Node Operator run multiple validators?

In an effort to promote decentralization, Lido for Polygon will prioritize available slots going to operators who are not already validating on Polygon. In case a Node Operator is in possession of a second slot, they are invited to contact Lido and

discuss how that slot might best be put to use. If a Node Operator is already in the Lido set, or running a node for another validator who is, then they are asked not to apply to join the Lido set again under a different name/validator.

How is stake distributed across validators?

Each submission of MATIC tokens to Lido for Polygon gets split in X equal parts, where X is the current number of Node Operators under Lido. Each part is then delegated to each respective validator. This means that validators that join Lido for Polygon earlier will have a slight advantage. To mitigate the “laddering” effect of this deposit mechanism in the short-term, we will be using delegation limits to ensure that stake is as evenly distributed as possible as additional Node Operators are onboarded to the operator set. In the long-term, we will seek to upgrade the staking contract to allow for smarter delegation of stake and rebalancing as mitigation.

Applying

If you are a Node Operator interested in joining Lido’s Polygon Node Operator set, you may submit an application by following the link on the landing page or directly via the relevant Google formhere.

Deadline

The application form will be open from Mar 1 - Mar 25, 2022 | 23:59 UTC.

Evaluation and Onboarding

Applications will be evaluated by the Lido Node Operator Sub-governance Group (LNOSG) the following week and a proposed shortlist will be sent to the DAO for approval. Once approved, onboarding new operators usually takes 1-2 weeks, so we aim for the new set of operators to be live on mainnet around early April.