



Lido Report

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What is Lido?

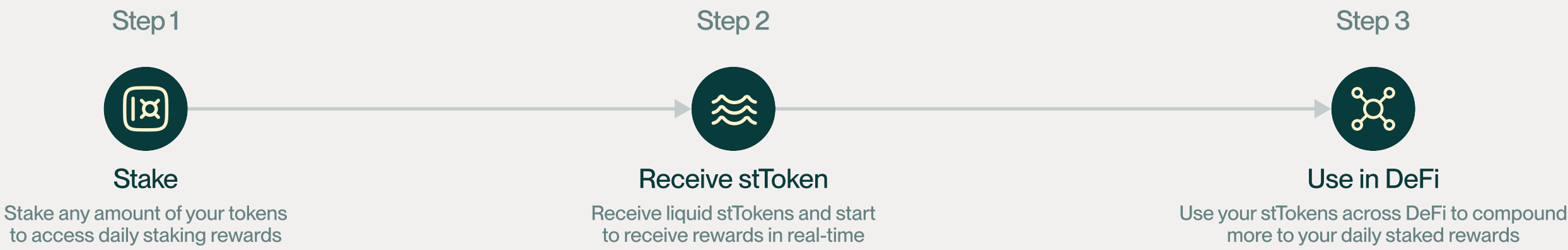
Lido Finance is a decentralized protocol designed to simplify and enhance the staking experience within the blockchain ecosystem, with a primary focus on Ethereum. Staking is a fundamental mechanism in Proof-of-Stake (PoS) blockchains, enabling participants to contribute to network security and consensus by locking up their tokens in return for rewards. However, traditional staking methods often present barriers, such as illiquidity, technical complexity, and high minimum deposit requirements. Lido addresses these issues by offering liquid staking solutions, allowing users to stake their assets while retaining flexibility and access to liquidity through derivative tokens.

At its core, Lido aims to democratize staking and make it more accessible to a broader audience. Through its protocol, users can stake Ethereum and other PoS assets without needing to manage validator nodes or meet high minimum staking thresholds. For instance, Ethereum's transition to PoS via the Ethereum 2.0 upgrade requires a minimum deposit of 32 ETH to operate a validator node. Lido eliminates this barrier by pooling users' funds, distributing them across professional node operators, and issuing a liquid staking token (LST) known as stETH in return. This token represents the user's staked assets and accrues rewards over time, providing liquidity and utility while the underlying assets remain staked.



How Lido Works

Source: bytetreecom



Lido is deeply integrated into the decentralized finance (DeFi) ecosystem. The liquid staking tokens issued by Lido can be utilized across various DeFi protocols for lending, borrowing, yield farming, and other financial activities. This interoperability enhances the utility of staked assets, enabling users to earn staking rewards and participate in other financial strategies simultaneously. As a result, Lido has become a cornerstone of the DeFi landscape, bridging the gap between staking and broader financial innovation.

The emergence of Lido reflects the broader evolution of decentralized finance. DeFi represents a shift from traditional financial systems to blockchain-based alternatives that are open, transparent, and permissionless. Within this paradigm, Lido serves as a critical infrastructure layer, addressing the inefficiencies of traditional staking models and fostering greater participation in PoS networks. Its decentralized governance model, powered by the Lido DAO (Decentralized Autonomous Organization), ensures that the protocol’s development and decision-making remain community-driven and transparent.

One of the defining features of Lido’s architecture is its focus on decentralization and security. The protocol collaborates with a diverse set of professional node operators to ensure the integrity and reliability of its staking services. These operators are selected and governed by the Lido DAO, which comprises a global community of token holders. This decentralized approach mitigates the risks associated with centralized staking platforms, such as single points of failure or mismanagement of funds.

NETWORK VIEW / POOL



Lido

Pool

Bottom 40%

Aggregated

Operator

1d

7d

30d

All time

Active Validators

307,299

Net Penetration

25.71%

APR %

3.20%

Raver

96.9%

Pool Shares

Net Penetration

Consensus Client Distribution

Block Space Distribution

APR %

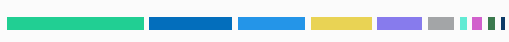
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Lido Curated Module

37 Entities

24.32%



3.21%

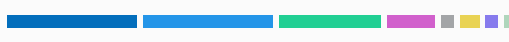
96.89%



Lido Simple DVT Module

82 Clusters

0.88%



3.11%

97.51%



Lido Community Staking Module

284 Entities

0.51%



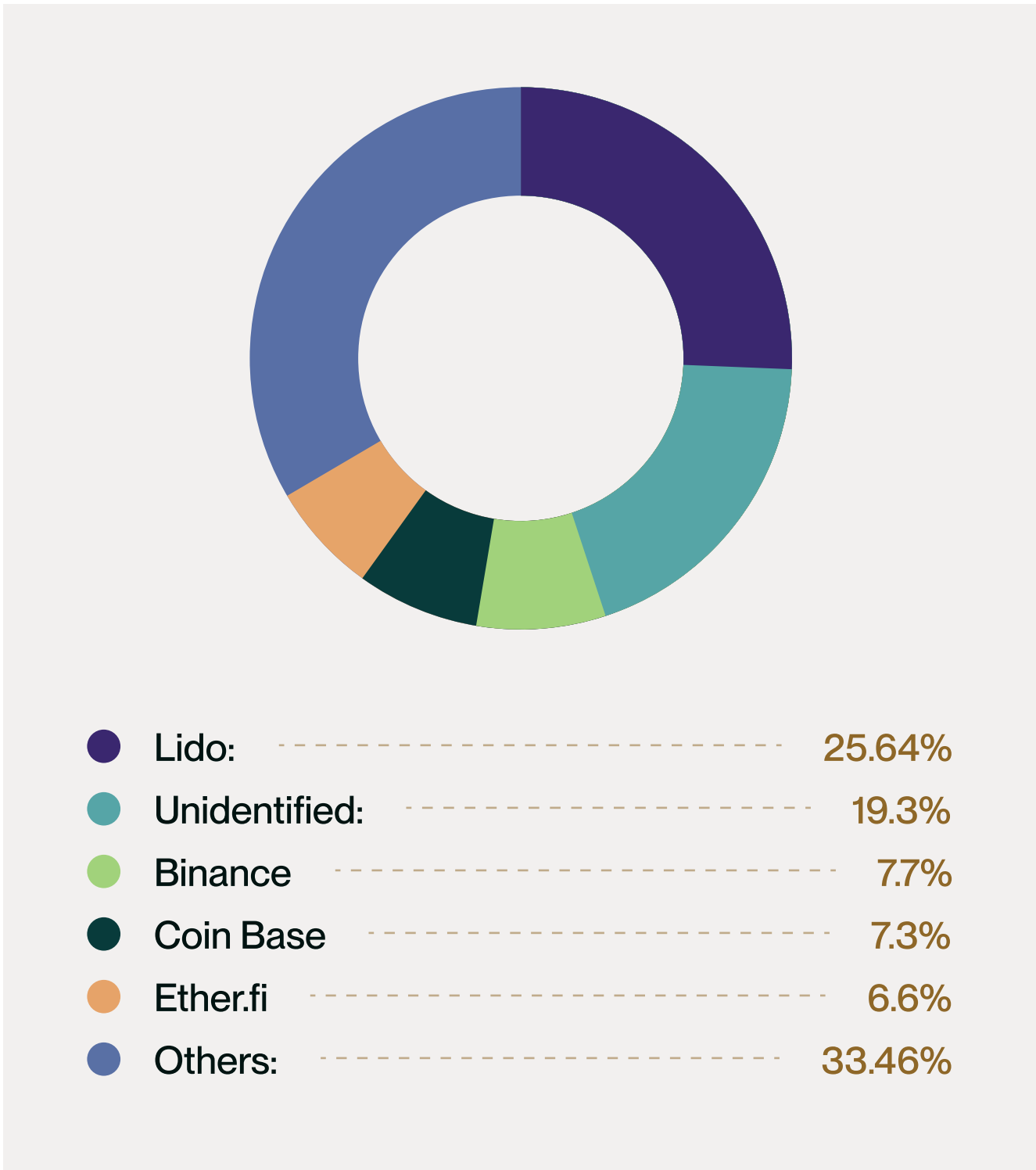
3.09%

96.30%

Ethereum staking, in particular, has gained significant traction due to the network’s transition to PoS. The Beacon Chain, launched as part of Ethereum’s multi-phase upgrade, represents the backbone of this new consensus mechanism. By staking ETH, participants contribute to network security and earn rewards in return. However, the technical requirements and illiquidity of traditional staking have limited participation. Lido’s liquid staking model addresses these challenges, allowing users to stake any amount of ETH and receive stETH, which accrues staking rewards while remaining liquid and usable within DeFi.

Exploring the LST ecosystem and Lido’s role

The LST ecosystem has emerged as a vital component of the decentralized finance landscape, addressing critical challenges faced by traditional staking. LSTs represent staked assets while retaining liquidity, enabling users to participate in staking without sacrificing access to their funds. This innovation has seen rapid growth and adoption, driven by increasing demand for flexible staking solutions. Lido, as a leading player in the LST ecosystem, has established itself as a pioneer, offering solutions that are both user-friendly and deeply integrated with DeFi.



Lido’s primary competitor on Ethereum is Rocketpool, another decentralized staking platform. Rocketpool differentiates itself by emphasizing decentralization, allowing individual node operators to participate with smaller stakes and lower entry barriers. While Rocketpool’s approach caters to a specific audience, Lido’s streamlined user experience and broad DeFi integrations have enabled it to capture a larger market share. By partnering with professional node operators and leveraging the Lido DAO for governance, Lido balances decentralization with scalability, making it a preferred choice for many users.

The necessity of liquid staking tokens is underscored by the illiquidity of traditional staking. In a typical staking scenario, users must lock their assets for a fixed period, limiting their ability to respond to market conditions or access capital. LSTs address this issue by enabling users to stake their assets while maintaining a liquid representation of their holdings. This innovation has unlocked new opportunities for DeFi participants, enabling them to earn staking rewards while leveraging their LSTs in other financial activities, such as lending, trading, or collateralization.

The demand for LSTs has grown significantly since their inception, fueled by the broader adoption of PoS networks and the expansion of DeFi. Lido’s ability to capture this demand is evident in its market dominance, with billions of dollars in total value locked (TVL) across its supported networks. The protocol’s user-centric design, which eliminates technical barriers and provides seamless access to staking rewards, has contributed to its widespread adoption.

Lido’s innovation lies in its ability to integrate with DeFi protocols and foster interoperability across chains. The stETH token, for example, is widely accepted in major DeFi platforms such as Aave, Curve, and Yearn Finance. This broad acceptance enhances the utility of LSTs, allowing users to maximize their capital efficiency while earning staking rewards. By building robust partnerships and continuously expanding its ecosystem, Lido has positioned itself as a central hub for liquid staking.

Despite its success, Lido faces competition from both established players and emerging protocols. Decentralized solutions like Rocketpool and Marinade Finance emphasize community-driven governance and decentralization, appealing to users who prioritize these values. Centralized platforms like Coinbase and Binance also offer staking services, targeting retail users with simplified interfaces. Lido’s ability to maintain its market position depends on its continuous innovation and commitment to decentralization, security, and user experience.

One of the key factors driving Lido's growth is its governance model. The Lido DAO oversees the protocol's development and decision-making, ensuring transparency and community involvement. This decentralized governance structure aligns with the principles of blockchain technology and fosters trust among users. By empowering its community, Lido can adapt to changing market conditions and implement new features that address user needs.

As the LST ecosystem evolves, Lido's role becomes increasingly important. Its multi-chain approach and focus on interoperability position it as a leader in the space, enabling users to stake assets across various networks while enjoying the benefits of liquidity and DeFi integration. By addressing the challenges of traditional staking and driving innovation in liquid staking, Lido is not only shaping the future of PoS networks but also contributing to the growth and maturity of decentralized finance.

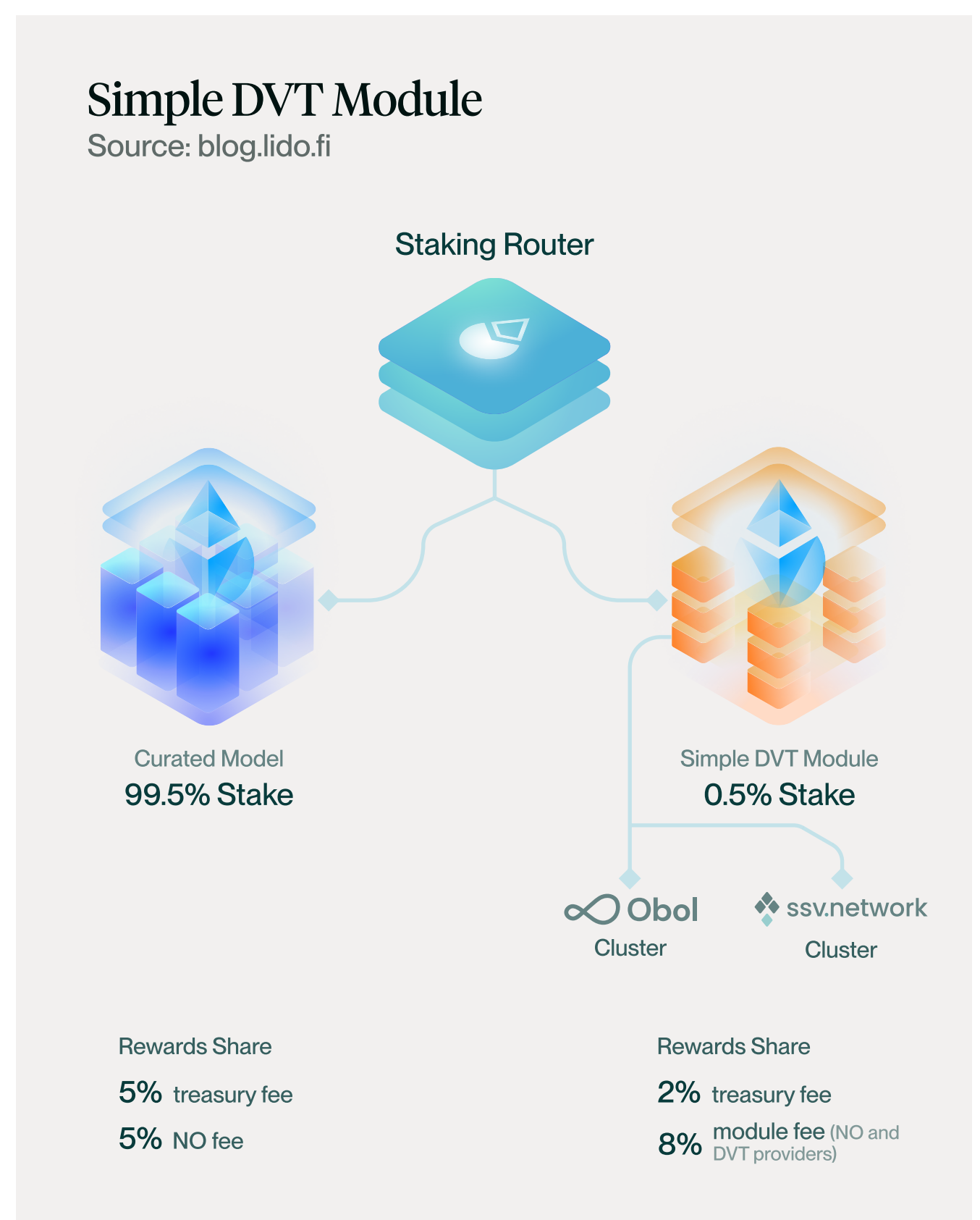
Recent developments and updates

Lido has been hard at work recently and continues to innovate on what's expected from a DeFi protocol. Lido's recent introduction of the Community Staking Tribes initiative marks a significant step towards decentralizing the protocol and empowering diverse contributors. This initiative focuses on fostering regional staking communities that can contribute to Lido's governance, infrastructure, and user adoption. By incentivizing participation from a broader base of stakeholders, Lido aims to strengthen its community's role in decision-making processes and improve its alignment with global markets. These tribes not only enhance the protocol's inclusivity but also serve as a means to drive localized awareness and adoption. This decentralized approach ensures that Lido remains resilient to centralization risks while cultivating a more engaged user base.

The Community Staking Tribes initiative also positions Lido as a leader in fostering regional inclusivity within DeFi. By enabling localized communities to collaborate directly with the protocol, Lido demonstrates its commitment to a diverse and decentralized governance model.

This strategy ensures that the platform's development is aligned with the needs and expectations of a global user base, thereby enhancing its overall sustainability and growth potential.

Lido's Simple DVT SSV Testnet 4 results represent another key milestone in its pursuit of innovation. Distributed Validator Technology (DVT) is a novel solution aimed at enhancing the security and reliability of validator operations. The Testnet 4 trials demonstrated significant progress in implementing DVT within Lido's ecosystem, with improved fault tolerance and operational efficiency being key outcomes. By incorporating DVT, Lido seeks to mitigate risks associated with validator failures and bolster the robustness of its staking infrastructure.



The successful DVT trials also highlight Lido's forward-looking approach to technology adoption. By staying at the forefront of validator innovation, Lido ensures that its users benefit from the latest advancements in security and performance. This proactive approach not only strengthens the protocol's competitiveness but also reinforces its commitment to providing a secure and reliable staking solution.



Finally, Lido's collaboration with Aave on the integration of V3.2 Liquid eModes on Base and Arbitrum exemplifies its focus on enhancing DeFi utility. Liquid eModes allow users to optimize their borrowing power by using stETH as collateral more efficiently. This integration expands the use cases for Lido's liquid staking tokens and deepens its synergy with leading DeFi platforms. By enabling greater capital efficiency and flexibility, Lido continues to drive the adoption of liquid staking within the broader DeFi ecosystem.

This partnership with Aave positions Lido as a key enabler of DeFi innovation. By aligning its solutions with user needs and collaborating with industry leaders, Lido ensures that its ecosystem remains dynamic and relevant. These developments demonstrate Lido's commitment to advancing liquid staking technology while fostering greater integration with the broader blockchain landscape.

Lido's path forward

As the landscape of decentralized finance continues to evolve, Lido stands at the forefront of innovation in staking and liquid staking technologies.

The protocol's focus on decentralization, security, and user-centric design has positioned it as a leader in the liquid staking ecosystem. Moving forward, Lido's path will likely involve scaling its operations to meet growing demand, deepening integrations with DeFi platforms, and expanding its offerings across multiple blockchain networks.

One of Lido's primary goals is to maintain and enhance decentralization within its ecosystem. Initiatives such as the Community Staking Tribes and Distributed Validator Technology highlight its commitment to fostering a more resilient and inclusive staking infrastructure. By empowering localized communities and adopting innovative technologies, Lido ensures that its protocol remains robust, secure, and aligned with the core principles of blockchain.

Interoperability will continue to play a crucial role in Lido's strategy. The protocol's ability to issue liquid staking tokens across multiple chains has already proven to be a significant advantage.

By expanding its support for emerging PoS networks and integrating with new DeFi protocols, Lido can solidify its position as a central hub for liquid staking. This expansion will also enable greater participation in staking, driving adoption and enhancing the security of various other PoS blockchains.

Lido's focus on governance and transparency will remain central to its long-term success.

Lido's path forward is one of continued growth and innovation. By addressing the challenges of traditional staking and driving advancements in liquid staking technology, Lido is shaping the future of decentralized finance. Its commitment to decentralization, security, and user empowerment positions it as a cornerstone of the blockchain ecosystem. As the demand for liquid staking solutions grows, Lido's ability to evolve and innovate will ensure its relevance and leadership in the ever-changing world of DeFi.

Valour Lido DAO SEK

Valour Lido DAO (LDO) SEK is an exchange-traded product (ETP) that tracks LDO, the token used by the Lido DAO platform. Lido is a liquid staking protocol that allows users to stake their cryptocurrencies like Ethereum while still having access to liquidity through staked token derivatives. The LDO token gives holders voting rights on decisions about the platform's operations, including fees and protocol updates. By enabling easy staking and maintaining flexibility with staked tokens, Lido simplifies the staking process and helps users earn rewards while staying active in the decentralized finance (DeFi) ecosystem.



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