

# TL;DR

1. stkDYDX testnet now LIVE.

DYDX liquid staking is now LIVE for the first time, only on pSTAKE testnet. Test it out [here](#).

1. pSTAKE's Unique Features:

stkDYDX has distinctive features:

- Prioritizing dYdX Chain decentralization with support for pSTAKE's new Automated Stake Delegation Model.
- dYdX aligned liquid staking with potential PSTAKE and stkDYDX dual governance
- Best-in-class DYDX staking experience with auto-compounded staking rewards (USDC and DYDX both)
- Improved user experience with unique features such as 'Flash Unstake'.
- DeFi Integrations:

stkDYDX is set to become a fundamental part of the liquidity base for major DEXs such as Dexter on Persistence and Astroport on Neutron, paving the way for a variety of additional use cases. Plans to integrate stkDYDX into Ethereum LSTfi protocols will also be considered.

## Important announcement

Following the recent dYdX v3 testnet chain upgrade, which introduced Interchain Accounts on the dYdX testnet chain, pSTAKE wasted no time and swiftly unveiled its DYDX Liquid staking solution on the testnet. You can now test and experience what it feels like to liquid stake your DYDX for the first time on pSTAKE. To get started, visit the following URL: <https://testnet.app.pstake.finance/cosmos> and follow [this](#) guide.

## The Case for Liquid Staking dYdX

With the shift to a PoS network, DYDX token holders can now stake their tokens to secure the dYdX Chain, earning staking rewards in USDC tokens. However, it's important to note that staking DYDX tokens involves a tradeoff, as the funds become locked for an unbonding period of 30 days, rendering them illiquid and unavailable for use in DeFi.

Enter pSTAKE, which addresses this challenge and offers users the best of both worlds—Staking and DeFi—while setting itself apart from other Liquid Staking Providers.

Let's see how:

### Enhancing Decentralization

Due to the inherent architecture of pSTAKE, stkDYDX will further enhance decentralization for the dYdX chain, which was one of the main reasons for dYdX to transition to a sovereign chain.

Decentralization is vital for proof-of-stake (PoS) chains, as it ensures a resilient network, enhanced security, fair governance, and community trust. One of the best decentralization indicators is the Nakamoto Coefficient (the number of validators that control more than 33.33% of the network's stake). For example, the Nakamoto coefficient for the Stargaze network is 13, signifying that 13 validators collectively control more than 33.33% of the network's stake. Similarly, the Persistence network has a Nakamoto coefficient of 10, while Cosmos Hub stands at 7. Notably, the dYdX network exhibits the lowest coefficient at just 2, suggesting a higher concentration of stake control among fewer validators.

stkDYDX will launch with pSTAKE's new automated stake decentralization delegation model that will constantly optimize for decentralization by using various parameters to suggest the final validator set and the amount of stake delegation to each validator in this set.

While there are various delegation models, pSTAKE contributors strongly believe liquid staking providers should not gatekeep validator delegations. Delegation should be driven by transparent on-chain data (source of truth).

### Aligning with DYDX Governance

The DYDX token has been in circulation for many years, cultivating a dedicated community of holders. The transition to a Proof-of-Stake (PoS) model represents a substantial shift in tokenomics. Under this new model, 100% of the protocol revenue generated on dYdX will be directed back to the stakers. This change, coupled with the introduction of liquid staking,

presents a novel landscape for DYDX holders.

Recognizing the significance of these changes, establishing a dual governance model for stkDYDX will be actively considered. Currently in the conceptual stage, this model would allow governance through the stkDYDX token, without requiring integration into the base layer, thus maintaining the transparency of the protocol's fundamental operations. The objective is to ensure that some governance and guidance over the liquid staking functionality remain within the purview of dYdX governance, allowing pSTAKE to seamlessly provide Liquid Staking-as-a-Service (LSaaS) for the DYDX community.

As a suggestion, here's an elaborate overview of what this dual governance model could potentially look like:

## Dual Governance Mechanism

### Primary Governance by PSTAKE Token Holders:

The primary governance continues to be driven by PSTAKE token holders, as they are responsible for proposing and voting on general protocol decisions, upgrades, and changes. This maintains the integrity and overarching governance framework of the pSTAKE protocol.

### Veto Power by stkDYDX holders:

stkDYDX holders will have veto power over certain decisions, particularly for proposals that directly affect the DYDX ecosystem. If a proposal passes through the primary governance process but is potentially detrimental or not in the best interest of the DYDX stakeholders/stkDYDX holders, there would be a certain wait period for the stkDYDX token holders to challenge or suggest changes to the decision before it is executed.

If the DYDX and pSTAKE communities are receptive to this idea, more details regarding the mechanics and implementation of the dual governance model can be shared in the coming days.

## Auto-compounded DYDX Liquid Staking

pSTAKE is deployed on the Persistence core-1 chain, the app chain for Liquid Staking DeFi (LSTfi) in Cosmos. Being built on Persistence allows pSTAKE to interact with other dApps like Dexter within the Ecosystem. This is vital to enable auto-compounding of stkDYDX so that users don't have to claim staking rewards repeatedly and enjoy passive staking yield.

In the case of stkDYDX auto-compounding, all USDC rewards will be converted into DYDX tokens by swapping on the [DYDX/USDC pool on Dexter](#) and then staked with pSTAKE after every epoch in the background by the pSTAKE protocol.

## Improving DYDX liquid staking User Experience

pSTAKE is committed to continuously innovating and improving the LSTfi user experience.

One example is the innovative 'Flash Unstake' feature that will allow instant redemptions or unstaking of stkDYDX for DYDX tokens. The notion of LSTs is incomplete if users do not have instant access to native token liquidity.

On pSTAKE, users will be instantly able to redeem stkDYDX for DYDX by paying a small fee. This works thanks to a state-of-the-art mechanism that will match daily DYDX deposits into the protocol with daily stkDYDX withdrawal requests.

Post-launch, pSTAKE's core objective is to anchor stkDYDX firmly within the Cosmos DeFi Ecosystem. Right from the outset, pSTAKE will seamlessly integrate with key DEXs such as Dexter and Astroport. This strategic integration aims to establish robust liquidity and pave the way for a myriad of additional use cases.

## Provide Feedback

We invite the DYDX community to come and test DYDX Liquid Staking on [pSTAKE's testnet](#).

pSTAKE is committed to offering a customised Liquid Staking-as-a-service to the stkDYDX users in collaboration with the DYDX community. Therefore, we request everyone's feedback on the following:

1. How was your DYDX liquid staking experience on pSTAKE's testnet?
2. What do you think about pSTAKE's implementation for DYDX liquid staking?
3. What are your thoughts on the aforementioned suggestion of the dual governance model for stkDYDX?
4. Where would you like to see stkDYDX integrated in DeFi?
5. Any other suggestions that you may have?

We look forward to hearing your feedback. Thank you.

## About pSTAKE

Developed by Persistence Labs, pSTAKE is a pioneering liquid staking protocol known for unlocking the true potential of staked Proof-of-Stake (PoS) assets, such as ATOM. By allowing PoS token holders to stake their tokens onto the pSTAKE platform, they can mint stkTokens—representatives of staked assets that remain liquid and transferable.

Since mid-2021, pSTAKE has been providing ATOM liquid staking services, launching with stkATOM on Ethereum under the constraints of a pre-IBC Cosmos network and without the support of a mature decentralized exchange ecosystem. Nonetheless, it achieved a significant milestone, amassing a TVL of ~\$35 million.

Like dYdX, pSTAKE underwent a strategic migration from Ethereum to Cosmos. Last year, in January 2023, pSTAKE launched its non-custodial Cosmos native implementation of stkATOM on the Persistence chain, which currently boasts ~\$7 million TVL. Expanding its services beyond ATOM, pSTAKE now also provides liquid staking for OSMO within the Cosmos ecosystem. Furthermore, the platform supports the Binance Chain's native token, BNB, with a current TVL of ~\$5 million.

Taking a security first approach, pSTAKE has undergone [multiple security audits](#) and has a live [Immunefi bug bounty program](#), ensuring robust security and protection for its users.