What is (Liquid) Staking?

Stride is a liquid staking protocol - it allows you to use your staked tokens for other purposes, such as trading or providing liquidity, while still earning the staking yield. It's a bit like having the flexibility of a checking or brokerage account, while earning the higher yield of a savings account. Suggest Edits

Proof-of-stake (PoS) blockchains require that tokenholders lock up their tokens in order to contribute to the PoS consensus mechanism, the method by which all transactions on the blockchain are verified. The greater the number of tokens staked on a network, the greater its security. Locking up tokens to provide this added security to the network is calledstaking . Stakers are compensated for their service through percentage-rate rewards on their staked tokens over time.

Staked tokens earn staking rewards but they are not liquid. While staked, they can't be used for other purposes, such as trading, lending or providing liquidity.

Most Cosmos zones offer users high levels of compensation for staking. Cosmos zone "staking yields" range from 20% (on the Cosmos Hub) to over 100% (on Evmos) per year. To earn these high yields, many users choose to stake their tokens: the percentage of total network tokens locked in staking tends to be quite high, sometimes more than 2/3 of all tokens.

Staking yields are so high that there is a meaningful opportunity cost to using your tokens in other applications (such as lending or providing liquidity), which often are less lucrative than staking. We believe that high staking yields and the resulting scarcity of liquid tokens in circulation has hamstrung the development of decentralized finance in Cosmos.

Enter liquid staking. Liquid staking makes staked tokens liquid, so that they remain staked, but can simultaneously be used in other applications. Liquid stakers enjoy both the staking rewards and the rewards offered by other applications, such as lending or providing liquidity.

In other words, liquid staking allows you to stake your tokens and earn staking rewards without having to give up control of your tokens. You can continue to use your tokens for other purposes, such as trading, lending or providing liquidity, while still earning the staking yield.

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With liquid staking, decentralized finance applications built on blockchains with high staking yields no longer have to compete with attractive staking yields. We think that liquid staking is a prerequisite to ahigh-functioning, productive DeFi ecosystem in Cosmos .

Let's walk through an example. To liquid stake ATOM with Stride, you lock your ATOM on Stride Zone. Behind the scenes, Stride stakes this ATOM on your behalf. You receive stATOM in exchange. Unlike staked ATOM, stATOM is liquid, meaning it can be sold, transferred, or used in DeFi. stATOM is non-inflationary, so as rewards are compounding on your ATOM, your stATOM increases in value. At any time, you can redeem your stATOM for ATOM. You'll receive back more ATOM than you deposited, because you earned some staking rewards.

For a video overview of the liquid staking process with one of our founders, Vishal Talasani, check outthis video .

Topics covered: what is Stride, liquid staking on Stride, unstaking, token value, integration with other platforms
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