What Are Staking Derivatives?

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pSTAKE is a liquid staking solution that unlocks the potential of staked PoS assets (e.g. ATOM). PoS token holders can deposit their tokens on the pSTAKE application to mint 1:1 pegged ERC-20 wrapped unstaked tokens represented as pTOKENs (e.g. pATOMs) that can then be transferred to other wallets or smart contracts on the Ethereum network to generate additional yield.

Soon we will present to you the Citadel.one pSTAKE extension with all the pSTAKE app functionality available on our platform. That's why we decided to briefly explain to you the concept of staking derivatives which are the cornerstone of the pSTAKE solution.

Derivatives in traditional finance

Let's start with a quick overview of derivatives in traditional finance.

A derivative

is a contract between two parties and its price is determined by fluctuations in the underlying asset. There are derivatives on almost anything tradable that you can think of. The most common types of derivatives are futures, options, forwards, and swaps.

At the very beginning, derivatives were primarily devised to protect (hedge) one specific position over an underlying asset. We can also think of them as a form of insurance.

Derivatives in crypto

The underlying asset in crypto derivatives trading can be any cryptocurrency token. Two parties that enter into a financial contract speculate on the cryptocurrency's price on a future date. During the first phase of the contract, the sides agree on a selling/buying price for the cryptocurrency on a specific day, regardless of the market price. As a result, investors can profit from changes in the underlying asset's price by purchasing the currency at a cheaper price and selling it at a higher price.

Derivative staked tokens

represent a claim on the underlying, illiquid staking positions, which are nevertheless subject to the protocol limits. These tokenized and thus liquid claims can be employed in a variety of financial products. As a result, stakers may be able to earn higher returns or more easily manage their risk exposure in a variety of ways, such as by reducing the risks associated with validators.

Liquid staking

Protocols that issue on-chain representations of staked assets on a decentralized network are referred to as liquid staking

. Liquid staking protocols let users acquire liquidity on staked assets and use staked assets as collateral in (decentralized) financial applications through tokenization. Staking derivatives and programmable staking are two other words that have been used to characterize similar methods.

Liquid staking is a way to get extra utility from assets that are currently being staked. How it works is when you stake tokens via a platform like pSTAKE, you receive tokens equivalent in value to the tokens that you have staked in the protocol. This means that while your tokens are locked up and earning staking rewards, you can also use that same value elsewhere in other DeFi protocols — earning additional yield.

pSTAKE

Persistence

, the ecosystem of multi-chain DeFi products designed to stimulate global liquidity and enable seamless value exchange, created its own liquid staking solution: pSTAKE Finance

. pSTAKE unlocks the true potential of Proof-of-Stake tokens by unlocking the liquidity of staked assets.

pSTAKE creates liquid staked positions by issuing 1:1 pegged representatives against its users' staked assets. These staked representative tokens can then be used in various DeFi applications to generate additional yield.

Unlike most liquid staking solutions that currently exist, pSTAKE uses a dual token model

to mirror the workings of the underlying blockchain network very closely.

Users deposit their native PoS tokens on pSTAKE to mint and receive pTOKENs

which are 1:1 pegged ERC-20 wrapped unstaked tokens, representing unstaked tokens on the PoS network. Users may choose to use pTOKENs in Ethereum's vast DeFi ecosystem.

On the other hand, users could burn these pTOKENs to mint and receive 1:1 pegged ERC-20 stkTOKENs

which represent staked tokens on the underlying supported PoS network. When users mint stkTOKENs, an equivalent amount of the native PoS tokens deposited with pSTAKE are staked on the network (delegated to multiple highly reputed validators). stkTOKENs are always backed 100% by an equivalent amount of staked tokens on the underlying PoS network.

stkTOKENs accrue staking rewards in the form of pTOKENs, thus mirroring the workings of most PoS networks. As an example, when users stake ATOMs, the staking rewards can be claimed at any point in time and are completely liquid, thus giving the users an option to either sell their rewards or restake them to compound their rewards. Similarly, holding stkTOKENs results in the accrual of staking rewards which can be claimed in the form of pTOKENs. These pTOKENs can then be redeemed for the native token instantly.

The dual token model not only mirrors the working of the underlying/supported PoS chain but also acts as a catalyst for the adoption of pSTAKE's staked representative assets. For pSTAKE to achieve adoption, assets issued by pSTAKE have to be compatible with the broader DeFi ecosystem so that these assets can be easily and comfortably integrated into other products such as borrowing/lending applications.

For more information about the pSTAKE project, visit theirwebsite or blog.

If you have further questions, drop us a message to support@citadel.one. You can also join our chat in telegram, there is an active discussion of all current updates, as well as round-the-clock support from our managers.

About Citadel.one

Citadel.one is a non-custodial Proof-of-Stake platform for the management and storage of crypto assets. Users can create public addresses for all supported networks with one seed phrase, connect their Ledger or Trezor device, or import an address generated by another wallet.

The analytical dashboard provides relevant information on wallets' balances and networks' main metrics. In Citadel.one, we standardize the semantics, making interactions with the platform as easy as possible. The same goes for network metrics. By using universal terms, we are making it easier for users to understand and compare networks.

One of the main functions of the Citadel.one platform is participation in the PoS consensus — users can stake and delegate their assets, claim rewards, and follow the latest network proposals in the voting tab.

Citadel.one offers its users instant cryptocurrency exchange services that allow fast and secure crypto assets swap. It is also possible to buy and sell crypto with a credit or debit card. Citadel.one users can track rewards, withdrawals, transfers, and deposits across all supported networks and add comments to these transactions.

Among PoS platforms, Citadel.one supports BAND network ($BAND) Secret Network ($SCRT), Cosmos ($ATOM), ICON ($ICX), IOST ($IOST), KAVA ($KAVA), BSC ($BNB), Juno ($JUNO), Comdex ($CMDX) and Tezos ($XTZ). We also support Ethereum, Bitcoin, and Tether ($USDT) for our users' convenience. Mobile and desktop versions, new networks, including Polkadot are scheduled for the upcoming updates. Furthermore, delving into the idea of true decentralization, we envision Citadel.one a decentralized autonomous organization and a genuinely community-owned platform in the nearest future.

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