What is staking?

Staking is an opportunity to receive income on a passive basis from electronic currency. In this case, a special algorithm is used — PoS and its other varieties. The essence of this process is as follows: there is a retention of coins in the wallet. This allows you to get the right to participate in the mining of cryptocurrency, and based on this process to receive income.

Basic staking data

Staking Crypto is the process of storing tokens in a cryptocurrency wallet. Alternatively, you can use exchanges that are involved in ensuring the health of the blockchain. In this case, validators take part in the process, they are involved in ensuring the successful execution of transactions with cryptocurrencies, such as Bitcoin and others. Accordingly, for such a procedure, they charge a certain percentage — a reward.

Staking is quite widespread and is used in networks that use the following algorithms:

* Proof of Stake — is one of the most popular staking algorithms with minimal time costs.
* Proof of Work — is an alternative version of the first method.

Most often, a bet on a cryptocurrency takes place under the guidance of the first algorithm, since it provides a higher speed of operations and transactions and it is cheaper from a financial point of view. This cannot be downloaded with the PoW algorithm, since in this case mining is used to check and validate new blocks.

If we consider the staking process based on the PoS chain, then they do it using cryptocurrency staking. The process of obtaining new blocks in such networks is called forging by experts. In this case, anyone can take over the functions of a validator. All that is required of a person, in this case, is to purchase a cryptocurrency and hold it.

PoS validators are selected based on the analysis and counting of coins that are in the system. The more time is invested in the system, the less likely it is that a person will become a validator.

An increase in the level of scaling of the blockchain network can be carried out using block formation based on the PoS algorithm. This can explain the reason for the transition of the Ethereum network from the PoW algorithm to the PoS one.

What is a staking pool?

All users who have blocked their tokens can unite with each other and create a so-called staking pool. Participants in this process strive to get into such a group, since, as a participant, their chances of becoming a validator increase significantly.

However, it doesn't always make sense to take part in the staking pool. Such membership will be relevant if the blockchain network system sets significantly high parameters for entry. This can apply to both technical indicators and financial, namely a cryptocurrency rate. It is important to note that the bulk of the pools requires quite serious knowledge and experience because maintaining and configuring such a community is not an easy task. These features can be attributed to the fact that pool providers, as a rule, take a percentage of the remuneration of all participants.

The main ways of staking cryptocurrencies

Earlier it was said that everyone can regularly receive rewards using a cryptocurrency. The scheme in this case is simple: buying a cryptocurrency and blocking it. Investments can be made on major cryptocurrency exchanges. It can be:

* KuKoin;
* Kraken;
* Binance.

Decentralized crypto exchanges can be an alternative to such platforms. They are also called the following abbreviation — DEX.

To understand how the staking process works, you can consider an example based on one of the most popular exchanges — Binance. This service offers its clients two staking options:

* fixed;
* DeFi staking.

Most often, users use the first option, so let's take it as an example.

To block tokens on this platform, you will need to create crypto wallets. It's called Fiat and Spot. After that, you need to open your wallet, select a token, and click on the "Earnings" button.

After such simple actions, a new tab will open in front of the client. It will list all available cryptocurrencies for staking. Let's take Altcoins as an example. The client is required to select the token of his interest, and click on the "Add assets" button. This action will open a new window. It is necessary to indicate the duration of the deposit, its size and then deposit the specified amount. Next, the system will automatically calculate the total income of Altcoins on the site for the user.

Cryptocurrencies can be staked based on some crypto wallets such as Trust Wallet or Ledger. The second variant of the crypto wallet allows you to stake tokens such as Tezos.

Cryptocurrency staking is a relatively new type of income that is actively gaining momentum and popularity. Such features can cause a decrease in the indicator of the minimum threshold for entering the cryptocurrency ecosystem.