

# Staking and proof-of-stake

## crypto251.0 Cryptocurrency and the Smileycoin

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# Staking

**Staking** refers to having a **stake** in a venture

Staking in a cryptocurrency context implies owning some coins in the currency

# Proof of stake

Proof-of-stake (PoS) is an alternative method to Proof-of-Work to maintain a blockchain.

In a PoS network the holders of coins may take turns in generating the next block.

This replaces the competition for mining by a method where only allowing those who have demonstrated a stake to participate.

An obvious advantage is the reduction in mining costs.

An obvious disadvantage is the reduction in competition and possibility of monopoly.

The implementations may vary, ranging from a simple weighted lottery for who gets the next block to setting a minimum stake to enter the pool of miners (or individuals permitted to generate blocks).

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