DAR In Conversation: Q&A with Andrew Cronk

Our CEO Doug Schwenk spoke with Andrew Cronk, Co-Founder & Chief Product Officer at Figment, to ask a few questions about **the future of institutional crypto staking.**

Click to watch video highlights or scroll down to read the transcript.

How are staking rewards calculated?

There are two main components. One comes from inflationary tokens that are created in every new block. Another comes from a cut of the transactions and their usage of the blockchain.

Most proof-of-stake networks have an inflating supply. When users lock up tokens, they trade liquidity for eligibility to earn rewards. While there are mechanisms to get rid of (or *burn*) tokens to ensure stasis, staking incentivizes users to lock up their tokens because they receive some of the new inflationary tokens being created.

When blockchain users interact on a network, there are associated transaction (or *gas)* fees. These fees are partly shared with users who stake the network. To use an analogy: Visa or Mastercard's credit card network shares transaction fees with the people who run those networks.

What opportunities has staking created for institutional investors?

It's a new way of securing blockchains. When Bitcoin was first introduced, users bought specialized hardware to "mine" coins and it consumed a lot of energy. Today, we don't need the hardware anymore. Staking is about capital efficiency. How can I earn more of a particular token? What can I do so the value isn't inflated away as new tokens are created?

Ethereum, the second-largest blockchain by market cap, made a shift away from mining last year. This real-world use case is interesting because it moved from proof-of-work to proof-of-stake. So far, it's been wildly successful - more people than ever are using Ethereum.

How are institutions leveraging new infrastructure to earn staking rewards?

We allow institutions access to our network through APIs in addition to white-label services. These models have grown over time: when Figment first started staking popular tokens like Ethereum and Solana, most users held their tokens on paper wallets or ledgers. These tokens were slowly custodied by exchanges before landing at the largest custodians. When we saw institutions moving their tokens in this fashion, we realized we needed to partner with custodians to provide more meaningful services.

What are some of the biggest staking trends?

We are seeing an overall trend of users trying to get more efficient with their capital. One solution has been liquid staking, which allows users staking tokens to overcome liquidity and access trade-offs when staking in the form of a voucher. The most well-known example of liquid staking is Lido, which allows users to stake their ETH in exchange for a receipt token. While this trend has been driven by retail audiences, we are seeing institutional investors looking to join in.

What does the future hold for staking?

I would watch for institutional investors looking for solutions in liquid staking, as well as the staking of exchange traded products. The current activity is only going to increase over time and, as more participants are involved, the process will become more and more efficient.

Here are a few ways to learn more:

- Explore Figment's Staking Calculator
- Learn more about Liquid Collective
- Watch Figment's "What Is Staking?" Video