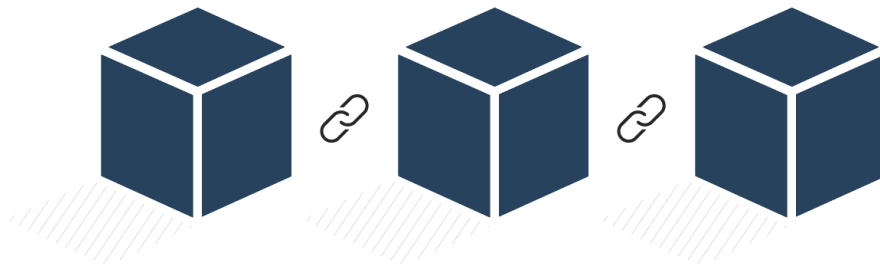




Liquid Staking Token Risks

The creation of Bitcoin and other decentralized cryptocurrencies offered the first window of opportunity for an alternative system of financial instruments relying on blockchain technology. Decentralized finance, the industry offering these new financial services, quickly built a variety of products to buy, sell, borrow, or earn money. In short, creating a parallel, decentralized version of the modern financial ecosystem.

The most popular of these products, by total value backing, are liquid staking tokens (LSTs). They allow participants to contribute their cryptocurrency as collateral to secure validator nodes on Proof-of-Stake Blockchains. Correct behavior by validator nodes earns stakers rewards in the form of new tokens. LSTs bear resemblance to government bonds, in the sense that they offer yield (or interest) by holding over time, are considered a lower-risk investment vehicle. In comparison to conventional staking, liquid staking platforms provide users with a token representing the underlying asset, which can be traded in secondary markets, while the underlying asset remains held over time and continues to earn yield.



In this thesis, we want to explore the risks associated with liquid staking tokens and existing investment strategies. Additionally, we want to investigate the systemic risks underlying liquid staking tokens, and how the choice of platforms impact users and the underlying cryptocurrency protocol.

Requirements: The project will be mostly practical. Thus, an interest in blockchain and decentralized finance is required. We will have weekly meetings to discuss open questions and determine the next steps.

Interested? Please contact us for more details!

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