Leased Proof-of-Stake(LPOS)

Understanding Leased Proof-of-Stake (LPOS)

- LPoS allows users to lease out their interests to miners. Mining nodes, in return, share some part of their earnings with the leaser.

- Consensus introduces additional features such as balance leasing (discussed later), passive income generation, and secure transactions.

How Does It Work?

- The Waves platform currently supports LPoS.
- Only full nodes in Waves may validate transactions. Validators are chosen based on their stake among full node owners.
- The platform's lite users are unable to maintain a full node. Can participate in mining by leasing their WAVES tokens to a full node owner to increase their stake and assist them in getting selected as a validator.
- The validator can then share the rewards received from mining with the lite nodes who leased their token.

Features of LPOS

1. **Balance Leasing**

Users can earn passive income by leasing coins from their wallets or other cold storage to miners.

2. **Fixed Tokens**

Leased Tokens have a set value and are not transferable, locked in leaser account until the lease is terminated.

3. **Decentralization**

In LPoS, rewards for validating a block successfully are divided between validator and lite nodes who leased the token based on the amount of token leased.

4. **Transaction Fee As Rewards**

Miners in LPoS earn transaction fees as a reward for processed blocks, as opposed to block rewards in other Blockchain networks.

Advantages of LPoS

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- Validate with less stake.
- Earn with fewer tokens.
- Control over funds.
- Lower energy consumptions.
- Higher processing speed.

Disadvantages of LPoS

1. **Possible threat of centralized control.**

On the LPoS, when large percentage of members lease to a single full node, malicious activity can be staged. This node will always be ahead of the pool of validators, providing it an edge over other nodes.

2. **New Technology Shortcomings**

It is vulnerable to any new technology's flaws, such as skepticism and a lack of regulations, which can hinder adoption.

LPoS Vs. PoS

- LPoS is a more powerful branch of PoS. It extends the capabilities of PoS to provide customers with additional features like:
  - Balance leasing
  - Passive income generation
  - Secure transactions.
- Here it is important to note that the major difference between LPoS and PoS is that regular users can rent their tokens to full nodes in exchange for rewards to participate in block generation, since the lease can be canceled at any time, token holders have complete control of the funds.
- The addition of LPoS to the Wave platform has given decentralized ledger technology a new feature. Waves network works on an LPoS consensus mechanism combined with the Waves-NG protocol.

Example of LPoS: WAVES

- Waves network works on an LPoS consensus mechanism combined with the Waves-NG protocol.
- On the Waves LPoS platform, node operators can use the stake of lite nodes to generate new blocks without having to transmit any WAVES, which means coins never leave the leaser's wallet.
- It is always possible to cancel a lease agreement and discontinue leasing. The user leasing is responsible for screening for an appropriate node operator.
- For example, to operate a node on the Waves platform a certain minimum balance must be obtained (1000 WAVES).

THANK YOU!

Any Questions?

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