

Ethereum Staking: What to Expect after The Merge

Post-Merge: What to expect

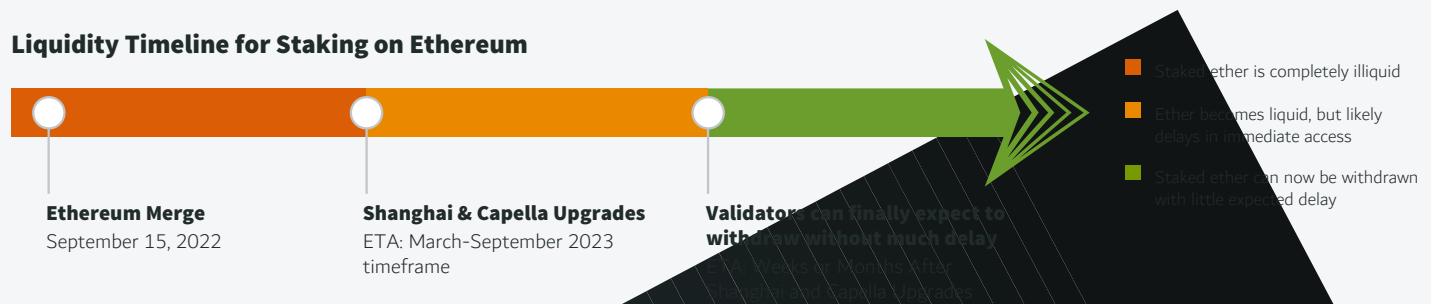
Following The Merge on September 15, 2022, staking on the Ethereum network continues to represent an illiquid activity in the foreseeable future until separate network changes, called the Shanghai and Capella upgrades, take place at a later, to be determined date (in March 2023 at the earliest; however, the estimate is a window of up to a year post-Merge). The upgrades are still in the active design stages with multiple implementation options being vetted. These upgrades will allow ether that is staked with Beacon Chain validators and rewards earned to be withdrawn. After the upgrades, it may take several weeks or months for individuals to be able to access their assets due to a limit on how many validators can exit the network in a given timeframe. There is likely to be a large queue of validators waiting to exit once finally able to do so.

What is staking?

Proof-of-stake consensus mechanisms produce new blocks by randomization and an economic stake to incentivize accuracy rather than the energy-intensive alternative that proof-of-work mechanisms use. Proof-of-stake systems pseudo-randomly select validators to propose new blocks while other nodes continuously cross-check each other for accuracy.

Staking is the process of locking up capital to become a validator of a blockchain.

Liquidity Timeline for Staking on Ethereum



Risks associated with staking before the Shanghai and Capella upgrades

Staking is not a risk-free activity. In the event of a validator failing to meet the protocol-determined requirements, they are penalized, or slashed, which results in the systematic loss of staked ether. During this period of illiquidity prior to the Shanghai and Capella upgrades, staking operators may be unable to exit the network. If validators are penalized, they may proactively exit the network. The network may also implement additional rules (e.g., block proposals or attestations) to limit downside risk; however, these rules are not yet finalized and are subject to change and delayed until these upgrades are released.

Read more about The Merge and its impact on staking rewards in our research report:

[The Ethereum Merge: What to Expect from the Biggest Protocol Change to the World's Second-Largest Digital Asset](#)
[A New Era for ETH: An Ex-Post Analysis of The Ethereum Merge](#)

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