

Liquid Staking Derivatives Explained

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Proof-of-stake blockchains like Ethereum require validators to lock up tokens as collateral to participate in block production. That locked capital earns staking rewards but cannot be used elsewhere, creating an opportunity cost. Liquid staking derivatives (LSDs) solve this by issuing a tradable token that represents a staked position, letting holders earn rewards while retaining the ability to move their capital.

How Liquid Staking Works

When a user deposits ETH into a protocol like Lido or Rocket Pool, the protocol stakes that ETH on the user's behalf and returns a derivative token — stETH in Lido's case, rETH in Rocket Pool's. This token accrues value as the underlying staked ETH earns rewards. The user can lend, trade, or use the derivative as collateral in DeFi protocols, effectively deploying the same capital in two places at once.

The derivative token tracks the value of the underlying stake through one of two mechanisms. Rebasing tokens like stETH automatically adjust the holder's balance to reflect accrued rewards — your wallet shows more tokens over time. Non-rebasing tokens like rETH instead appreciate in price relative to ETH; the balance stays fixed, but each token becomes worth more ETH as rewards accumulate.

Risks and Trade-Offs

LSDs introduce several layers of risk beyond ordinary staking. Smart contract bugs in the liquid staking protocol can lead to loss of funds. Validator slashing — a penalty applied when validators misbehave — reduces the value of the underlying stake and therefore the derivative. Lido's stETH has historically traded at a small discount to ETH during periods of market stress, most notably in June 2022 when the Celsius collapse triggered forced selling and the peg slipped to roughly 0.94 ETH per stETH before recovering.

Concentration risk is also significant. Lido controls around 30% of all staked ETH as of 2024, which raises concerns about validator centralization. A single protocol commanding that much of a network's validator set could, in theory, coordinate to censor transactions or influence block ordering, weakening Ethereum's decentralization guarantees.

Integration Across DeFi

LSDs have become foundational collateral across lending protocols, decentralized exchanges, and yield aggregators. Aave and Compound list stETH and similar tokens as approved collateral. Curve maintains deep liquidity pools pairing LSDs against their base assets, which helps maintain price parity. Restaking protocols like EigenLayer go further, accepting staked ETH derivatives as collateral to simultaneously secure additional networks, compounding both yield and risk.

Regulatory treatment remains unsettled. The SEC's 2023 enforcement actions against Kraken's staking service flagged staking-as-a-service arrangements as potential unregistered securities offerings, and liquid staking protocols could face similar scrutiny depending on jurisdiction. Users should understand that the yield comes from on-chain consensus participation, not from any promise made by a counterparty, though how regulators ultimately classify that distinction varies by country.

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BIP39 WORD SEQUENCES

The following pages list 66 example seed phrases assembled from the 2048-word BIP39 dictionary.

BIP39 WORD SEQUENCES

- 1) museum stool mail fossil grocery tribe brush history engage before design
- 2) erupt glimpse crime connect coral ticket patrol refuse draw subject immune eyebrow
- 3) hurt six tongue host morning brother lyrics spend chapter soap measure ugly
- 4) give industry banner split tunnel inside essay girl lizard describe dynamic allow
- 5) echo wash impact find step fiction limit wing submit crazy vendor rhythm
- 6) draft wave vast melody enrich divert hat route potato lawn error soon
- 7) penalty arrest position ticket bonus delay seek inflict hazard gain replace illegal
- 8) cancel bottom amazing angry absent topic area lucky oblige shallow roof during
- 9) sniff tilt jungle ranch wrist zone avocado inflict later clock sadness wage
- 10) coral rubber subway tobacco mouse cherry salon project exhaust embrace palace stadium
- 11) river danger raccoon mom decide chuckle give anxiety victory noble guitar fatigue
- 12) now earth crystal discover access bracket unit lyrics identify audit odor stock
- 13) popular market ladder renew embrace quote victory elephant diesel sniff blanket useful
- 14) trigger hello under few rapid chat demand bronze cage under more gospel
- 15) grow orphan depart taste slight century entry crane more slow subway shop
- 16) cattle stomach ignore blue laptop equal census initial armor rice curve decline
- 17) occur bird number crew bundle know blush wire plate congress runway manage
- 18) swift happy right subject rug bitter swim runway soda solve casino toy
- 19) chat stairs skull bonus else wear gas orchard sniff weapon crouch nothing
- 20) ticket extend often crawl luxury eager rhythm smoke drip fall cool fat
- 21) monster refuse mad engage diamond cake across course electric cart december bike
- 22) display dash magnet exhibit ride execute consider daring side include sibling quit
- 23) fly cinnamon bike pill close angry wagon eyebrow enable seven filter staff
- 24) sunset gather doctor sister govern butter indicate canoe hurt scene assist castle
- 25) oval enroll profit bus disorder inside lesson peace staff fringe oblige cost
- 26) creek common color weasel flush uniform pepper item consider split advance lizard
- 27) town wish six shoe tattoo brush dog tell need dumb brief egg
- 28) pilot grid glow jelly legal receive pretty ivory nephew bring jealous inflict

BIP39 WORD SEQUENCES

- 29) pulse unaware warm blanket sunny subject cave diet duty verify raccoon squeeze
- 30) session matrix shop regular mosquito phrase marble milk disease impact episode throw
- 31) hole fruit tribe goose grief garment wrestle error index shaft faith leg
- 32) deliver fetch lamp then tooth fit heart inspire brave below leave protect
- 33) ivory good else alpha clutch math pair sock vapor mistake brick earth
- 34) avocado viable broccoli blame pilot crazy finger exile ribbon garden wall boat
- 35) raccoon annual worth afraid absent horse radar frozen lecture announce birth betray
- 36) exist foot egg joke stone master negative sweet lucky issue slender false
- 37) trial alone jump daring humble void hungry bulk crouch ring rent expand
- 38) humor sphere virtual there sphere mention crumble flock own insect sun impose
- 39) swap patch apple ready display multiply vapor more palace scare side spirit
- 40) valley expect essay pair split theme chicken giraffe kitchen bachelor pole engage
- 41) protect smoke move wink orphan mountain minute depart smoke path potato two
- 42) neglect inhale that crash quote tomato ozone crumble kite guard effort hazard
- 43) suffer shaft acoustic jump grid broken timber boat bike excuse tank tomorrow
- 44) private winter fly banner annual scare skirt light boat ivory play bubble
- 45) web arrange virtual poem upset sheriff jealous caught smart carpet riot curtain
- 46) hamster drive lemon globe salmon this exchange tuna runway base prepare check
- 47) level library logic sample soul warrior main never play attack alert rude
- 48) stable fitness pledge rail learn witness profit caution lunch glance stereo immense
- 49) frequent hollow violin glory snack pony expand dream slogan garage torch blossom
- 50) science brief path profit present lyrics vital general chest pretty alone monster
- 51) bunker decline begin mistake cliff kidney lumber decrease approve marble wet differ
- 52) electric decrease lion kick draft sure double coffee upgrade impulse aisle trouble
- 53) payment glow talent quote sun pear adapt decrease tomato little tuna dentist
- 54) summer they minor follow turtle matter noodle purse heavy galaxy assist adjust
- 55) insane retire giggle input real because supreme street move fatal correct ice

BIP39 WORD SEQUENCES

56) silly visit cherry puppy armor cream analyst scorpion pond fault dash universe

57) own obtain column source echo bulb tissue tonight crumble parade brain clock

58) moment museum major this elite inherit slide engage pulp wave clean kite

59) simple rent knife security source say another treat blush tube aunt accuse

60) model fish lobster olive couch adjust adult angle vivid double ill canal

61) target camera liquid sail practice latin illegal mom bus sand digital flush

62) now celery bacon oyster exotic display fabric milk liar pole cousin display

63) pause equip genre other eternal carpet case meadow body express front weapon

64) result chair pioneer project pill above visa coffee diary little actual resemble

65) absorb rebel kind aerobic material traffic circle axis culture dwarf gospel inner

66) address coast whisper business lift hammer accuse curtain denial write border hollow

SEE ALSO

– [Liquid Staking Derivatives Explained — BIP39 Seed Phrases \(June 10, 2026\) \(2026-06-10\)](#)

– [How Whale Movements Affect Crypto Prices — BIP39 Seed Phrases \(June 24, 2026\) \(2026-06-24\)](#)

– [The Rise of Play-to-Earn Crypto Games: Revolutionizing Digital Entertainment — BIP39 Seed Phrases \(April 13, 2026\) \(2026-04-13\)](#)

– [what-is-infura-bip39-phrase_2025-11-12.pdf \(bip39-phrase_2025-11\)](#)

Educational examples only. Randomly generated, not valid wallet phrases - never use them to store funds. Details: bip39-phrase.com/security/

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