Proof of Stake (PoS)

Return to Consensus Mechanism

The definition is provided by Frankenfiels[1]:

*The **Proof of Stake (PoS)** concept states that a person can mine or validate block transactions according to how many coins they hold. This means that the more coins owned by a miner, the more mining power they have.*

The proof of stake was created as an alternative to the proof of work (PoW) concept, to tackle inherent issues in the latter. Currently, only altcoins use the proof of stake concept. When a transaction is initiated, the transaction data is fitted into a block with a maximum capacity of 1 megabyte, and then duplicated across multiple computers or nodes on the network. The nodes are the administrative body of the blockchain and verify the legitimacy of the transactions in each block.

To carry out the verification step, the nodes or miners would need to solve a computational puzzle, known as the proof of work problem. The first miner to decrypt each block transaction problem gets rewarded with a coin. Once a block of transactions has been verified, it is added to the blockchain, a public transparent ledger.

1)

Jake Frankenfield, Investopedia, Proof of Stake (PoS), 21 April 2021, Accessed: 18 July 2021, https://www.investopedia.com/terms/p/proof-stake-pos.asp

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