

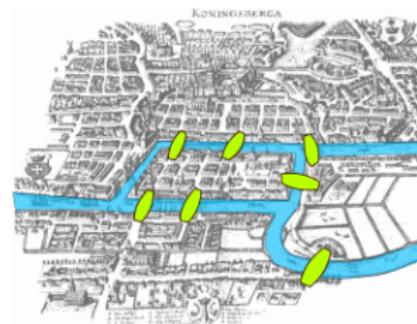
The risks of LRTs (cont'd.)



mike & tarun
sevenx ventures, restaking day, ethdenver
tuesday, february 27, 2024

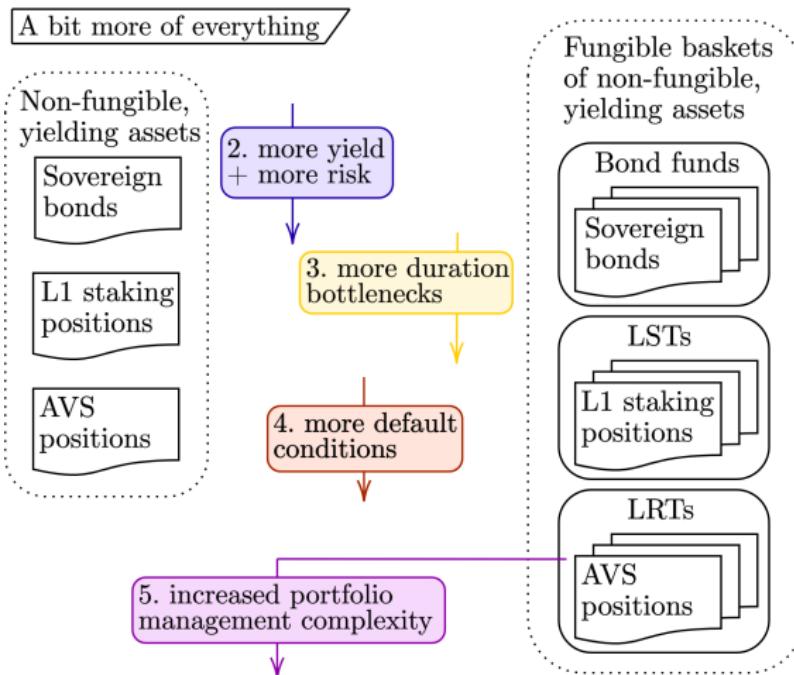
Outline

- Big picture themes
 - *A bit more of everything*
 - *A tale of two categories*
- Focus attribute #1: Yield
- Focus attribute #2: Duration



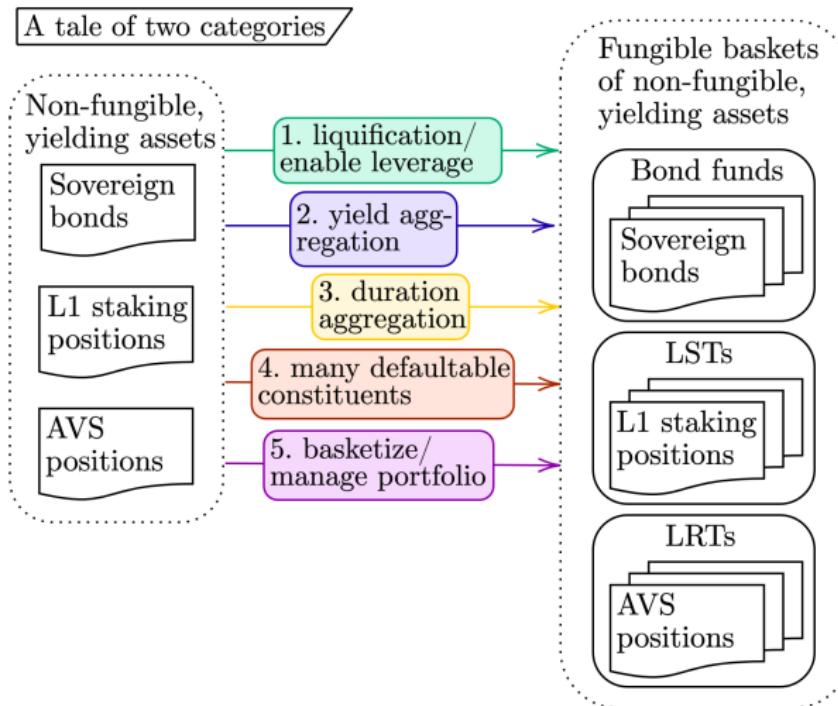
Big picture themes

A bit more of everything



Big picture themes

A tale of two categories



Focus attribute #1: Yield

... what we are all here for

Attribute	Sovereign bonds	L1 staking positions	AVS restaking positions
<i>Yield</i>	<u>Source:</u> Sovereign treasury <u>Denomination:</u> Sovereign currency	<u>Source:</u> L1 protocol <u>Denomination:</u> L1 token	<u>Source:</u> AVS protocol <u>Denomination:</u> AVS specified

Table 1: Non-fungible yielding assets

Attribute	Bond funds	LSTs	LRTs
<i>Yield</i>	<u>Source:</u> Sovereign treasury <u>Denomination:</u> Sov. currency <u>Aggregation over:</u> Many interest rates and durations	<u>Source:</u> L1 protocol <u>Denomination:</u> L1 token <u>Aggregation over:</u> Many node operators	<u>Source:</u> AVS protocol <u>Denomination:</u> AVS specified <u>Aggregation over:</u> Many AVSs and node operators

Table 2: Fungible baskets of non-fungible yielding assets

- AVS dependent, may have different unit-of-account than L1.
- Aggregate over multiple AVSs and multiple node operators.
- Design decision: More deployed \implies more yield, at the cost of withdrawal rate.

Focus attribute #2: Duration

... what we are all scared of

Attribute	Sovereign bonds	L1 staking positions	AVS restaking positions
<i>Duration</i>	Fixed maturity	Withdrawals rate limited by the L1 protocol	Withdrawals rate limited by the AVS, the restaking protocol, <i>and</i> the L1 protocol

Table 1: Non-fungible yielding assets

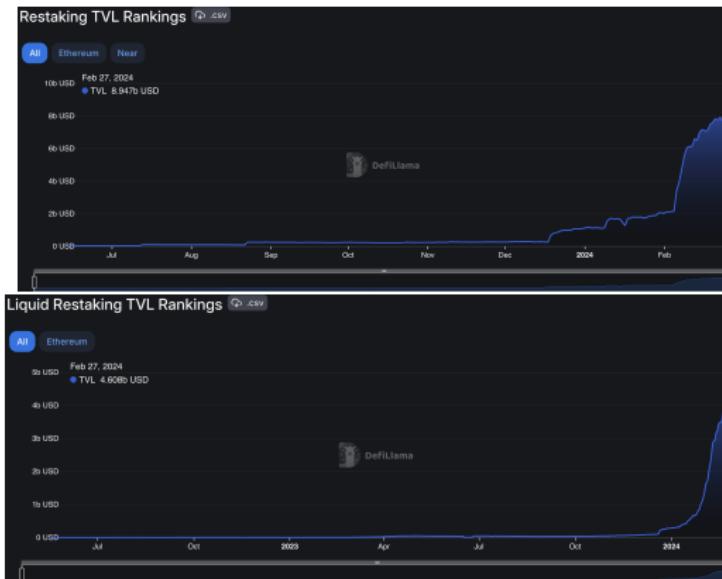
Attribute	Bond funds	LSTs	LRTs
<i>Duration</i>	Many different maturities	Withdrawals rate limited by the LST protocol <i>and</i> the L1 protocol	Withdrawals rate limited by the LRT protocol, the restaking protocol, each underlying AVS, <i>and</i> the L1 protocol

Table 2: Fungible baskets of non-fungible yielding assets

- LRT withdrawals have 4 potential rate-limiting phases.
- Short (market sell) vs Long (full withdrawal).
- Full withdrawal vs. LST withdrawal (e.g., native restaking vs LST restaking).
- Nightmare: mass slashing \implies liquidity crunch.

TVL in restaking and LRTs

... what could go wrong?



- huh.

<https://defillama.com/protocols/Restaking>

<https://defillama.com/protocols/Liquid%20Restaking>

thanks! :-)

