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ARTICLE



A Look At The Regulatory Scrutiny Facing Liquid Restaking

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The article discusses the emergence and increased regulatory scrutiny of liquid restaking and liquid restaking tokens (LRTs) in the cryptocurrency industry. Liquid restaking allows users to stake ether to validate transactions on multiple protocols on top of Ethereum. LRTs represent these restaked positions and can be traded or used in decentralized finance (DeFi) applications.

While the potentially higher yields are attractive, liquid restaking introduces risks such as potential slashing events if a validator misbehaves, systemic risks from widespread use as collateral in DeFi, and complex interdependencies that could lead to cascading failures.

As the technology evolves, regulators will need to determine how existing frameworks apply to these new financial instruments. The article recommends that attorneys advise clients on the importance of risk disclosure, the need for smart contract audits and compliance with international regulatory frameworks. The article concludes by advising investors and industry participants to weigh regulatory risks against potential benefits in the face of an uncertain legal landscape.

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CONTACTS

For more information, contact your Katten attorney or any of the following attorneys.



Daniel J. Davis
+1.202.625.3644
daniel.davis@katten.com



Alexander C. Kim
+1.212.940.6535
alexander.kim@katten.com

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