PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
EigenLayer (EIGEN)

Last updated on Aug 8, 2024

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading EIGEN. Investors should perform their own assessment to determine the appropriate level of risk for their personal circumstances. Be sure to do your own research and due diligence while taking into account your own financial situation and risk tolerance. Please review the [*Risk Summary*](#) *for additional discussion of general risks associated with the assets made available in the platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this risk disclosure is based on publicly available information that may be inaccurate, incomplete, or change at any time.*

What is EigenLayer

EigenLayer is a protocol built on the Ethereum blockchain that introduces the concept of restaking, allowing Ethereum stakers to extend the security of their staked ETH to additional decentralized applications and services. By opting into EigenLayer's smart contracts, users can restake their ETH or Liquid Staking Tokens (LST) to provide pooled security for Actively Validated Services (AVSs), which are services that leverage Ethereum's existing security infrastructure. The protocol addresses the challenge of fragmented security in the Ethereum ecosystem, where new decentralized services typically require their own trust networks. EigenLayer allows these services to tap into the pooled security provided by Ethereum stakers. It also enables stakers to earn additional rewards by participating in the validation of various services.

The EIGEN token is a versatile utility token within the EigenLayer protocol, designed to enhance cryptoeconomic security across various decentralized applications on Ethereum. Its primary utility lies in enabling Ethereum stakers to restake their ETH or Liquid Staking Tokens (LST) to provide pooled security for Actively Validated Services (AVSs), allowing them to participate in multiple services simultaneously. The EIGEN token addresses intersubjectively attributable faults, which are issues observable by external parties but not always provable on-chain, by implementing slashing mechanisms that penalize malicious operators.

Who is behind the project?

The EigenLayer project is led by the Eigen Labs team, which is responsible for the development and maintenance of the EigenLayer protocol and its associated services.

The Eigen Labs team members include:

- Sreeram Kannan - CEO/Founder
- Calvin Liu - CSO
- Chris Dury - COO
- Grace Hartley - Chief of Staff
- Adam Zuckerman - General Counsel
- Sid Sanyal - VP of Engineering

How does it work?

EigenLayer is a protocol built on the Ethereum blockchain that enables Ethereum stakers to engage in restaking, thereby extending the security of their staked ETH or Liquid Staking Tokens (LST) to various decentralized applications and services, referred to as Actively Validated Services (AVSs). The process begins when users opt into EigenLayer's smart contracts, allowing them to restake their assets and provide pooled security for these services. Operators, who run the AVS software, register with the protocol and facilitate the delegation of restaked ETH from stakers. Stakers may choose to delegate their assets to these Operators or may run validation services themselves, with both parties entering into a mutual agreement to ensure compliance with the protocol's requirements.

The AVSs leverage the pooled security provided by Ethereum stakers, with Operators performing essential validation tasks that contribute to the overall security and integrity of the network. The EIGEN token serves as a versatile utility token within the EigenLayer protocol, specifically designed for staking to secure AVSs that exhibit intersubjectively attributable faults, which are issues that are observable by external parties but not necessarily provable on-chain. The protocol incorporates slashing mechanisms to penalize malicious operators, thereby promoting accountability and security. Through this framework, EigenLayer addresses the challenge of fragmented security in the Ethereum ecosystem.

Tokenomics of EIGEN

Allocation	Percentage
Investors	29.50
Early contributors	25.50
Airdrops to Eigen restakers (aka stakedrops)	15
Future community initiatives	15 plus future inflation

R&D and ecosystem development	15

Other important EIGEN tokenomics information:

The total supply of EIGEN at launch is over 1.673 billion tokens.
EIGEN token supply will be inflationary.

General Risks

Like all other digital assets, there are some general risks to investing in EIGEN. These include short history risk, volatility risk, liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

Risks specific to EIGEN

Competition
EIGEN faces competition from other restaking protocols, such as Karak and Pell Network. EIGEN's value derives from the protocol's broader adoption in the market. If EIGEN fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of EIGEN.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on EIGEN and determined it was permitted to make EIGEN available for trading to UK users. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

- The creation, governance, usage and design of EIGEN, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created EIGEN;
- The supply, demand, maturity, utility and liquidity of EIGEN;
- Material technical risks associated with EIGEN, including any code defects, security breaches and other threats concerning EIGEN and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
- Legal and regulatory risks associated with EIGEN, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of EIGEN, and (ii) consideration of statements made by any regulators or securities regulatory authorities in the UK, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to EIGEN about whether EIGEN, or generally about whether the type of crypto asset, is a security and/or derivative.

Payward Ltd (trading as Kraken) is registered as a cryptoasset firm with the Financial Conduct Authority (FRN: 928768) registered office at 6th Floor, One London Wall, London, EC2Y 5EB. Cryptoasset services offered by Payward Ltd are unregulated and not covered by the Financial Services Compensation Scheme as well as the FCA's consumer protection regulations. Note the value of cryptoassets can go down as well as up, gains may be subject to Capital Gains Tax and there may be extra charges when paying via credit card from your provider.