#### Update regarding the rsETH Fee recipient issue:

Identified on	30th April 2025
Mitigated on	30th April 2025
Solution Complete	30th April 2025

#### Issue breakdown

On April 30th, Kelp underwent a planned contract upgrade to support EigenLayer's slashing changes and improve fee logic. A faulty logic in the fee recipient contract due to a hardcoded constant led to excess minting of rsETH as protocol fees, increasing the total supply of rsETH on Kernel dApp and public portals.

A preventive circuit breaker was triggered automatically to pause deposits and withdrawals as a precaution. The exchange rate for rsETH has continued operating correctly, and there was no impact on users' funds.

# Impact

- No users were affected by this issue and no loss of any funds
- No impact on the exchange rate of rsETH (a precautionary circuit breaker prevented any change to the exchange rate)
- Deposits and withdrawals were automatically paused as a precaution.

## Solution

Our engineering team promptly took the following actions to resolve the issue and restore operations to normalcy.

- The team temporarily granted the community multi-sig a burner role to remove the excess rsETH in the fee recipient contract and then revoked it.
- A fix to remove the incorrect constant was scheduled via timelock and reviewed by auditors. Normal functionality has been restored as deposits and withdrawals are unpaused.

### **Further preventive steps**

Kelp's circuit breaker was introduced in 2024 to prevent sudden changes in the exchange rate due to unforeseen issues. It was activated today as expected,

preventing a faulty rate from going through. We plan to make the following improvements to prevent similar issues from happening in the future.

- 1. Improve the range bound for the circuit breaker to 0.5%
- 2. Impose an upper limit on rsETH that can be minted over 24 hours and fees that can be minted over 24 hours.
- 3. Multiple audits for contract upgrade/ change.
- 4. Improved test coverage to track every single state variable in the contract.
- 5. Implement on-chain governance-based contract upgrades
- 6. Integrate formal verification systems to bolster testing.