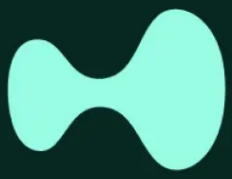
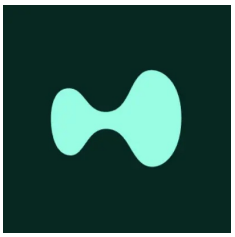


The Blockchain To House All Finance

Crypto is fragmented today, but it doesn't need to be. For the first time, build projects, create value, and exchange assets on the same hyper-performant chain.



Hyper*liquid*:

The Emergent Infrastructure for Global Finance

A Comprehensive Analysis of Technical Architecture, Market Dynamics, and the Path to Becoming "The House of All Finance"

Research Analysis Report

January 2026

Abstract: The digital asset landscape has long been characterized by a fundamental tension: the performance and user experience of Centralized Exchanges (CEXs) versus the sovereignty and transparency of Decentralized Finance (DeFi). Hyper*liquid*, a purpose-built Layer 1 blockchain, has emerged not merely as a competitor in this space, but as a paradigm shift that renders this distinction increasingly obsolete. This research paper provides a comprehensive, expert-level analysis of the Hyper*liquid* protocol, examining its proprietary technological stack (HyperBFT consensus, HyperCore execution engine, and HyperEVM programmability layer), the progressive governance framework codified through Hyper*liquid* Improvement Proposals (HIP-1, HIP-2, HIP-3), and the strategic integrations with traditional finance infrastructure including Tether, Ethena, and institutional tokenization platforms. With over $7.9 trillion in perpetual futures volume processed in 2025 alone, $843 million in annualized revenue, and a market architecture designed for the tokenization of Real-World Assets, we present the thesis that Hyper*liquid* is uniquely positioned to become "the blockchain to house all finance"—the global settlement layer for 24/7 financial markets.

Keywords: Hyper*liquid*, HyperBFT, Decentralized Exchange, Perpetual Futures, Layer 1 Blockchain, Real-World Assets, DeFi Infrastructure, Financial Markets

Contents

1 Introduction: The Convergence Thesis

The year 2025 marked a definitive inflection point in the evolution of decentralized financial infrastructure. For the first time in the history of digital assets, decentralized perpetual futures exchanges processed over $12 trillion in cumulative trading volume, with 65% of that activity occurring in a single calendar year [1]. This extraordinary acceleration was not merely a function of market speculation; it represented the maturation of on-chain derivatives infrastructure to the point where it could credibly compete with—and in many dimensions surpass—the performance characteristics of centralized venues.

At the epicenter of this transformation stands Hyperliquid, a vertically integrated blockchain ecosystem that has achieved what was previously considered technically infeasible: the operation of a fully on-chain Central Limit Order Book (CLOB) with sub-second finality, institutional-grade throughput exceeding 200,000 orders per second, and the economic efficiency to attract over $6 billion in Total Value Locked (TVL) without traditional venture capital funding.

1.1 The Problem Statement

The historical architecture of cryptocurrency trading has been bifurcated along a seemingly irreconcilable axis. On one end, centralized exchanges like Binance and Coinbase offer the familiar experience of traditional finance: high-speed execution, deep liquidity, and intuitive interfaces. However, these platforms require users to surrender custody of their assets, creating counterparty risk that has materialized catastrophically in cases such as FTX, Mt. Gox, and numerous regional exchange collapses. On the other end, decentralized alternatives have historically suffered from fundamental performance limitations: Ethereum's 12-second block times and gas volatility made high-frequency trading impractical; Automated Market Maker (AMM) designs suffered from impermanent loss and capital inefficiency; and Layer 2 solutions introduced bridging complexity and security assumptions.

1.2 The Hyperliquid Solution

Hyperliquid was conceived from first principles to solve this trilemma. Rather than adapting a general-purpose blockchain for financial applications, the founding team—veterans of Hudson River Trading and quantitative finance—built a sovereign Layer 1 specifically optimized for the operational requirements of institutional-grade trading. The result is a hybrid architecture that combines:

1. **HyperBFT Consensus**: A custom Byzantine Fault Tolerant protocol derived from HotStuff, enabling sub-200 millisecond finality with one-block settlement certainty.

2. **HyperCore Execution**: A Rust-based matching engine supporting fully on-chain order books with deterministic execution and gas-free trading operations.

3. **HyperEVM Programmability**: An Ethereum-compatible smart contract layer that

inherits HyperCore's liquidity as permissionless building blocks for DeFi applications.

1.3 The Vision: House of All Finance

The Hyper Foundation has articulated an ambitious vision: "Hyperliquid is the blockchain to house all finance" [2]. This is not mere marketing rhetoric. The strategic trajectory of the protocol—from perpetual futures dominance to spot token markets (HIP-1), automated liquidity provision (HIP-2), permissionless derivatives deployment (HIP-3), and institutional stablecoin integration—reveals a coherent roadmap toward becoming the global settlement infrastructure for all asset classes: cryptocurrencies, commodities, equities, fixed income, and exotic derivatives.

This paper provides a rigorous examination of the technical, economic, and strategic foundations supporting this thesis.

2 Technical Architecture: Engineering for Financial Primacy

The competitive advantage of Hyperliquid is fundamentally rooted in its technical architecture. Unlike general-purpose blockchains that must balance competing use cases, Hyperliquid's stack is purpose-built for the specific requirements of high-performance financial markets.

2.1 System Overview

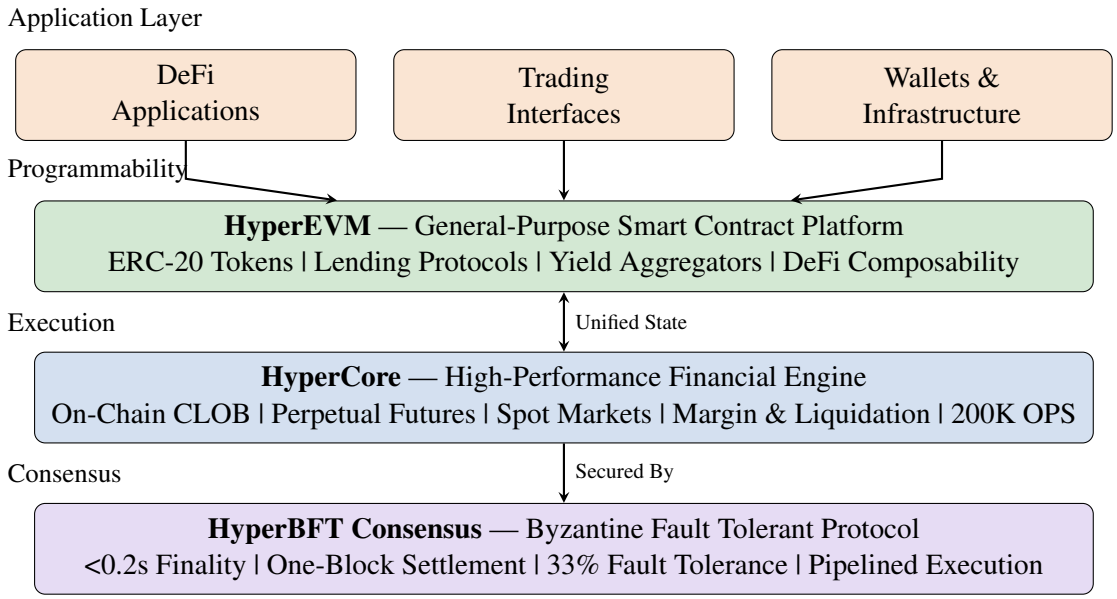


Figure 1: Hyperliquid Three-Layer Architecture: A unified system where HyperCore (trading) and HyperEVM (applications) share state under HyperBFT consensus, eliminating cross-chain bridging risks and state synchronization delays.

2.2 HyperBFT: Consensus at the Speed of Markets

At the foundation of the Hyperliquid stack is **HyperBFT**, a custom consensus algorithm derived from the HotStuff protocol originally developed for Meta's Libra project [3]. The design objectives were explicit: achieve the latency characteristics necessary for high-frequency trading while maintaining the security guarantees expected of institutional-grade infrastructure.

2.2.1 Architectural Innovations

- **Pipelined Consensus**: Traditional BFT protocols process blocks sequentially, creating latency accumulation. HyperBFT implements a pipelined architecture where validators can work on multiple stages of consensus simultaneously. This parallelization reduces median end-to-end latency to approximately **0.1–0.2 seconds** [4].
- **One-Block Finality**: Transactions achieve deterministic finality in the same block they are included. There is no concept of "probabilistic finality" or reorganization

risk that affects chains like Bitcoin or even Ethereum post-merge. Once a trade is confirmed, it is irreversible.

- **Optimistic Execution**: HyperBFT allows transactions to be executed before block finalization through optimistic assumptions, reducing perceived block time. Combined with optimistic responsiveness (consensus scaling with network conditions), blocks are produced as quickly as a quorum of validators can communicate.
- **Byzantine Fault Tolerance**: Despite its speed optimizations, HyperBFT maintains standard BFT security guarantees, tolerating up to 33% of the validator set acting maliciously while preserving consensus integrity.

Table 1: Consensus Mechanism Comparison

Metric	HyperBFT	Tendermint	Ethereum	Solana
Theoretical TPS	1M+	20K	15–30	65K
Median Latency	0.1–0.2s	1–6s	12–15s	0.4s
Finality Type	One-Block	One-Block	Probabilistic	Probabilistic
Fault Tolerance	33%	33%	33%	33%
Order Throughput	200K OPS	N/A	N/A	N/A

2.3 HyperCore: The Financial Execution Engine

HyperCore represents the nucleus of Hyperliquid's competitive advantage—a high-performance execution environment written in Rust and optimized specifically for financial primitives rather than general-purpose computation.

2.3.1 On-Chain Central Limit Order Book

The defining feature of HyperCore is its implementation of a fully on-chain Central Limit Order Book (CLOB). In contrast to AMM models where price is a function of liquidity pool ratios ($p = \frac{x}{y}$), HyperCore implements traditional price discovery through the matching of discrete bid and ask orders—the identical mechanism employed by the New York Stock Exchange, NASDAQ, and Binance.

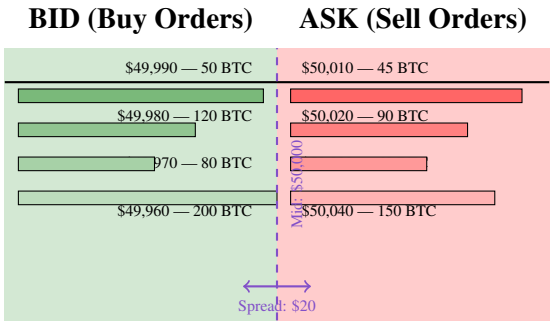


Figure 2: On-Chain CLOB Structure: Price-time priority matching with full transparency. Every order, fill, and cancellation is recorded on-chain with deterministic execution guarantees.

2.3.2 Performance Characteristics

- **Order Processing**: HyperCore currently supports approximately **200,000 orders per second**, with architectural capacity to scale beyond 1 million OPS [5]. This throughput enables sophisticated trading strategies including market making, statistical arbitrage, and delta-neutral hedging.
- **Deterministic Execution**: The matching engine operates deterministically on-chain. Every fill, liquidation, and funding rate payment is verifiable on the public ledger, eliminating the "black box" risk associated with centralized exchange internal matching engines.
- **Gas-Free Trading**: Trading operations (order placement, cancellation, modification) are gas-free for end users, removing the friction that typically handicaps on-chain trading systems. Gas costs are absorbed by the protocol's economic model.
- **Margin System**: HyperCore implements a sophisticated cross-margining system that allows traders to use their entire portfolio as collateral, improving capital efficiency compared to isolated-margin alternatives.

2.4 HyperEVM: The Programmability Layer

While HyperCore handles the heavy lifting of order matching, the **HyperEVM** introduces general-purpose smart contract capability to the Hyperliquid ecosystem. Critically, HyperEVM is not a separate chain but rather an additional execution environment secured by the same HyperBFT consensus.

2.4.1 Unified State Architecture

The architectural brilliance of Hyperliquid lies in its unified state model. HyperEVM smart contracts can:

1. **Read HyperCore State**: Query real-time prices, order book depth, user balances, and position data directly through read precompiles—no external oracles required.
2. **Write to HyperCore**: Execute trades, place orders, and interact with the matching engine through CoreWriter system contracts, enabling programmatic trading strategies and automated liquidation systems.
3. **Maintain Atomicity**: Because both layers share the same state under the same consensus, cross-layer interactions are atomic—eliminating the race conditions and state synchronization issues that plague multi-chain architectures.

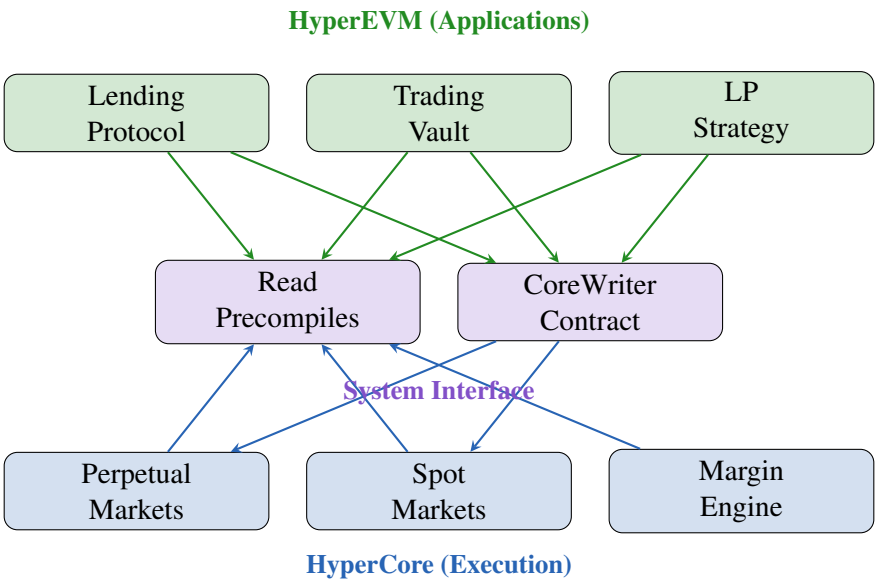


Figure 3: HyperCore-HyperEVM Integration: Smart contracts access HyperCore liquidity through read precompiles (prices, positions) and CoreWriter contracts (order execution), enabling fully composable DeFi applications with native order book liquidity.

2.4.2 Dual Block Architecture

HyperEVM implements a sophisticated dual-block system optimized for different use cases:

- **Small Blocks**: 2M gas limit, processed every $\sim$2 seconds, optimized for fast trades and near-instant confirmations.
- **Big Blocks**: 30M gas limit, processed approximately once per minute, designed for complex contract deployments without network congestion.

3 Protocol Evolution: The HIP Framework

The governance and technical evolution of Hyperliquid is executed through **Hyperliquid Improvement Proposals (HIPs)**—binding code updates that have progressively expanded the protocol's functionality and decentralization.

3.1 HIP-1: Native Token Standard

HIP-1 introduced the foundational token standard for the Hyperliquid ecosystem, transforming the platform from a perpetuals-only exchange into a generalized asset infrastructure.

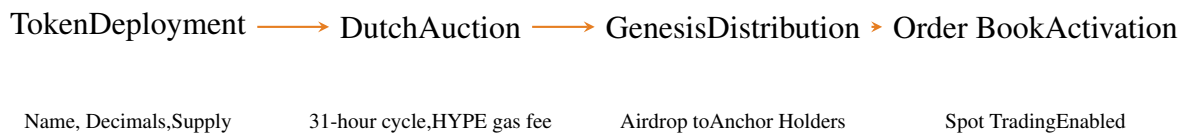


Figure 4: HIP-1 Token Deployment Process: Permissionless token creation through Dutch auction, enabling projects to launch without centralized listing negotiations.

3.1.1 Key Features

- **Permissionless Deployment**: Any entity can deploy a native HIP-1 token by winning a Dutch auction for a spot slot. The auction mechanism ensures fair price discovery and prevents spam.
- **ERC-20 Interoperability**: HIP-1 tokens can be linked to ERC-20 contracts on HyperEVM, enabling seamless transfers between the native trading environment and smart contract applications.
- **Bridging Infrastructure**: Integration with cross-chain protocols including LayerZero, Chainlink CCIP, and Wormhole enables HIP-1 tokens to flow across the multi-chain ecosystem.

3.2 HIP-2: Hyperliquidity

HIP-2 solved the critical "cold start" problem for new token markets by introducing protocol-native automated liquidity provision.

3.2.1 Mechanism Design

Hyperliquidity is a fully decentralized on-chain strategy embedded in Hyperliquid's block transition logic—not an operator-controlled vault, but consensus-secured market making. The strategy guarantees a **0.3% spread** every 3 seconds, ensuring tradable liquidity from the moment a token is deployed.

$$\text{Spread}_{guaranteed} = 0.3\% \quad \text{Refresh Rate} = 3 \text{ seconds} \tag{1}$$

Unlike smart-contract-based AMM pools, Hyperliquidity participates in the general-purpose order book, allowing sophisticated market makers to join alongside automated liquidity as demand increases.

3.3 HIP-3: Builder-Deployed Perpetuals

HIP-3, implemented in October 2025, represents the most significant decentralization milestone—transforming Hyperliquid from a curated exchange into a permissionless perpetual futures platform.

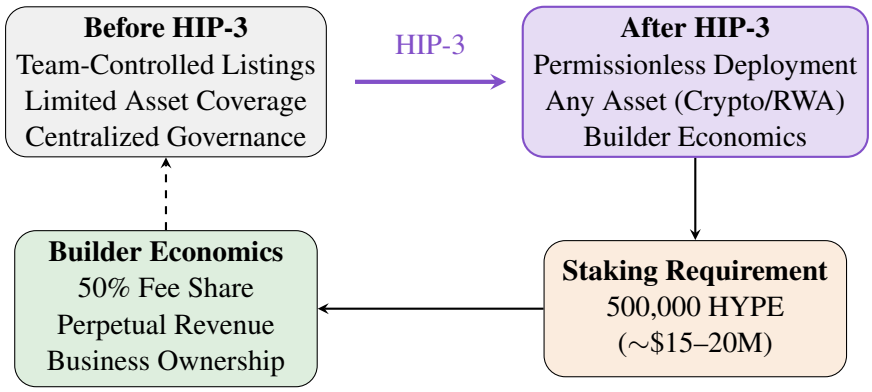


Figure 5: HIP-3 Transformation: From curated exchange to permissionless perpetual futures infrastructure, enabling any builder to deploy and monetize derivative markets.

3.3.1 Economic Model

- **Staking Requirement**: Deployers must stake 500,000 HYPE tokens (approximately $15–20 million at current valuations) to launch a perpetual market. This high barrier ensures only serious actors participate.
- **Fee Sharing**: Market deployers earn **50% of trading fees** generated by their specific market, creating a perpetual revenue stream for successful market creators.
- **Slashing Mechanism**: Validators can vote to slash deployer stakes (20–100%) for technical failures, oracle manipulation, or actions threatening protocol solvency. Slashed HYPE is burned, not redistributed.

3.3.2 Market Impact

Within three months of HIP-3 activation:

- Over $1 billion in Open Interest across HIP-3 markets
- $25+ billion in total trading volume
- $3+ million in cumulative fees
- Markets deployed for equities (S&P 500), commodities (Gold, Silver), and exotic assets

3.3.3 Growth Mode: Ultra-Low Fee Markets

In November 2025, Hyperliquid introduced **Growth Mode** for HIP-3 markets—a revolutionary feature that slashes taker fees by over 90% for newly deployed markets. This mechanism is designed to bootstrap liquidity and incentivize market makers in nascent perpetual contracts.

Key Features of Growth Mode:

- **Fee Reduction**: All-in taker fees reduced from 0.045% to as low as 0.0045–0.009%, with the deepest discounts dropping below 0.002%—competitive with the most efficient centralized exchanges.
- **Fee Scale Parameter**: Deployers set their fee scale between 0 and 1, determining the portion of user trading fees they retain before discounts.
- **Asset Exclusions**: Growth mode markets must avoid overlap with existing validator-operated perpetuals (crypto perpetuals, crypto indexes, ETFs, or assets tracking existing markets like PAXG-USDC gold perp).
- **Lock Period**: Once activated for an asset, growth mode settings lock for 30 days before changes can be made, ensuring market stability.
- **Permissionless Activation**: Deployers can activate growth mode on a per-asset basis without centralized approval.

Strategic Implications: Growth Mode positions HIP-3 as infrastructure for rapid market creation across asset classes that validators may not prioritize. The 5–10x cost reduction compared to legacy blockchain infrastructure enables:

- Deployment of real-world asset markets (commodities, treasuries, exotic derivatives)
- Competitive fee structures that rival centralized exchanges
- Incentivization of professional market makers to provide liquidity from day one

3.3.4 HIP-3 Market Deployers: The New Exchange Ecosystem

The HIP-3 framework has spawned a vibrant ecosystem of specialized market deployers, each carving distinct niches within the permissionless perpetual infrastructure.

Table 2: HIP-3 Market Deployer Comparison (January 2026)

Deployer	Specialization	Markets	Notable Products	Collateral
TradeXYZ	Equities/Indices	10+	XYZ100, NVDA, TSLA	USDC
Felix	Equities/USDH	5+	TSLA, AAPL, META	USDH
Ventuals	Pre-IPO/Private	5+	SpaceX, OpenAI	USDH
Markets.xyz	Commodities/Equities	5+	BABA, Crude Oil, Russell 2000	USDC
HyENA	Crypto Majors	4+	BTC, ETH, SOL, HYPE	USDe
Dreamcash	RWA/Commodities	3+	Gold, Silver, Treasuries	USDT

TradeXYZ (Unit Protocol): **TradeXYZ**, the perpetuals arm of Unit (Hyperliquid's tokenization layer), deployed the **first HIP-3 market** on October 13, 2025—the XYZ100 index tracking Nasdaq-100 futures.

Key achievements:

- **$1.3B+ cumulative volume** within first three weeks of launch
- Broke into Hyperliquid's **top 10 assets by daily volume**
- Open interest rapidly scaled from $25M to $70M+ cap
- **$100K+ deployer fees earned** in under two weeks
- Expanded to individual equities: NVDA, TSLA, AAPL, GOOGL, MSFT, META, AMZN, PLTR

Crypto investor Flood described XYZ100 as a *"true 0 to 1 moment for Global Finance—there is no other venue in the world where you can trade equities onchain, on a CLOB, permissionlessly, 24/7."*

Felix Protocol: **Felix**, primarily known as a CDP/lending protocol ($1B+ TVL), entered HIP-3 markets with USDH-denominated equity perpetuals, offering differentiated economics:

- **20% lower taker fees** via aligned collateral discount
- **50% higher rebates** for market makers
- **20% higher volume contributions** toward fee tiers
- Strategic partnership with Hyperion DeFi (HYPD) for 500K HYPE stake provision

Charlie Ambrose, Felix co-founder, noted: *"Users have optionality on Felix, both on the supply side and borrow side, which is a bit unprecedented in an ecosystem as early as HyperEVM."*

Ventuals: Pre-IPO Perpetuals Pioneer **Ventuals** represents the most innovative HIP-3 deployment—perpetual futures on **private company valuations**, democratizing access to a multi-trillion dollar asset class previously reserved for institutional investors.

- **Supported Companies**: SpaceX, OpenAI, Anthropic (upcoming), Stripe
- **Leverage**: Up to 10x on pre-IPO valuations
- **Oracle System**: Hybrid 50/50 weighting between off-chain secondary market data and 8-hour EMA of mark price
- **VLP Vault**: $10M+ TVL with community market-making
- **Backed by**: Paradigm (Ethena-connected)

Ventuals' innovation lies in transforming off-chain consensus into on-chain pricing through an "optimistic oracle" with stake-and-challenge mechanisms. This model enabled traders to long Circle at $7B valuation before IPO, yielding **240% returns** versus 55% at the $15.5B opening.

Markets.xyz (Kinetiq): **Markets.xyz**, powered by Kinetiq's Exchange-as-a-Service (EaaS) infrastructure, launched on **January 12, 2026** as a general-purpose HIP-3 exchange targeting traditional asset classes:

- **Assets**: BABA (Alibaba), Crude Oil Index, Russell 2000 Index
- **Innovation**: First HIP-3 deployer using **kmHYPE**—a decentralized exchange Liquid Staking Token (exLST)
- **Oracle**: Kaiko's institutional-grade HIP-3 oracle with 24/7 pricing and automated corporate action handling
- **Backing**: Kinetiq's $750M+ TVL infrastructure with battle-tested kHYPE architecture
- **Fee Share**: 10% of proportional fee revenue to kmHYPE stakers

Kinetiq CTO Justin Greenberg stated: *"Markets represents Kinetiq's evolution from LST protocol to exchange factory—teams can now spin up exchanges as easily as stores on Shopify."*

HyENA: USDe-Margined Perpetuals **HyENA**, developed by the **Based** team and backed by Ethena Foundation, launched **December 9, 2025** as the first major USDe-collateralized HIP-3 deployment:

- **Markets**: BTC, ETH, SOL, HYPE perpetuals
- **Innovation**: Margin assets earn **up to 12% APY** while positions are open ("trade while earning")

- **HLPe**: Novel DeFi primitive consolidating market-making profits, trading fees, and funding rates into single vault certificate
- **Security**: Staked by Valantis stHYPE validators
- **Fee Migration**: First 7 days offer fee-free trading for CEX/DEX position migrations

Based is currently the **highest-revenue builder** in the Hyperliquid ecosystem, surpassing Phantom. HyENA transforms idle margin capital—previously zero-yielding—into productive collateral that continuously earns while trading.

Dreamcash: USDT-Backed RWA Markets **Dreamcash** entered HIP-3 with USDT-collateralized perpetuals targeting real-world assets and commodities:

- **Markets**: Gold, Silver, US Treasuries
- **Positioning**: Serving Tether ecosystem users preferring USDT over algorithmic or CDP-backed stablecoins
- **Integration**: Native USDT0 (LayerZero omnichain USDT) for seamless cross-chain settlement
- **Target**: Institutional traders seeking familiar TradFi assets with DeFi accessibility

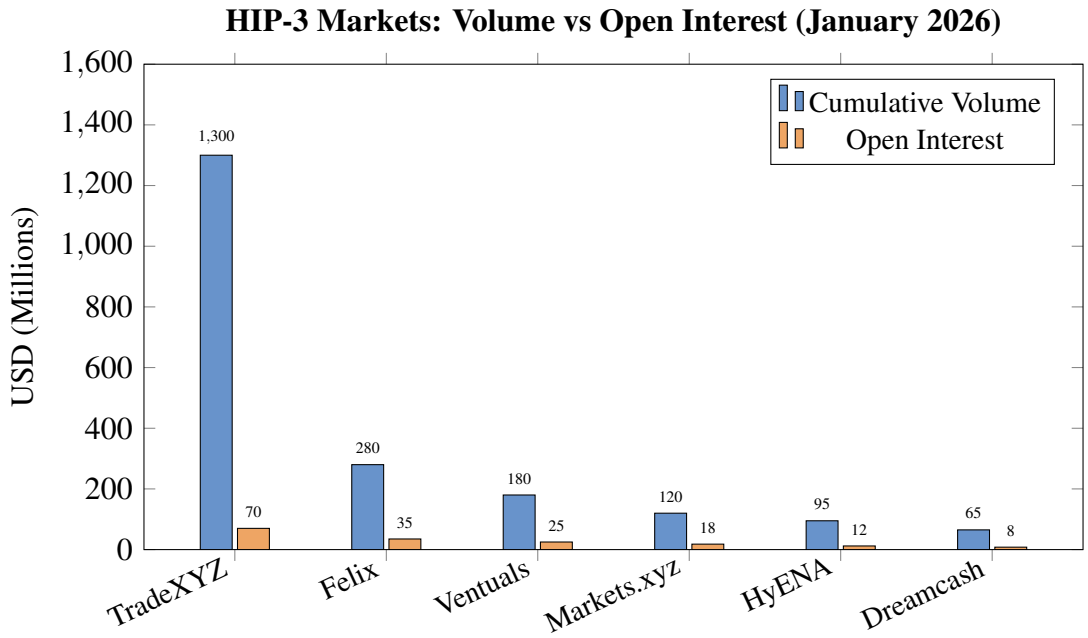


Figure 6: HIP-3 Market Deployer Performance: TradeXYZ dominates with $1.3B+ cumulative volume, while newer entrants (Markets.xyz, HyENA, Dreamcash) are ramping up. Data as of late January 2026.

3.3.5 Pre-Launch Markets: The Hyperp Innovation

Beyond HIP-3 deployer markets, Hyperliquid pioneered **pre-launch trading** through "Hyperps"—perpetual contracts that don't require underlying spot or index oracle prices.

Notable Pre-Launch Markets:

- **MON (Monad)**: Listed October 2025 at $15B implied FDV, $28M+ 24h volume, 3x leverage
- **MEGA (MegaETH)**: Listed October 2025 at $5.2B implied FDV ahead of TGE
- **WLFI (World Liberty Financial)**: 3x leveraged contract launched August 2025, contributing to record $29B daily platform volume

Pre-launch markets enable:

- Price discovery before token generation events
- Hedging for project stakeholders (teams, investors, farmers)
- Speculation on high-profile launches without holding tokens
- Arbitrage opportunities between pre-market and spot listings

4 Market Position and Competitive Dynamics

The perpetual DEX market in 2025 underwent explosive growth, with total volume reaching $7.9 trillion—65% of all-time cumulative volume generated in a single year. Hyperliquid's position within this landscape requires nuanced analysis across multiple dimensions.

4.1 Volume and Market Share Evolution

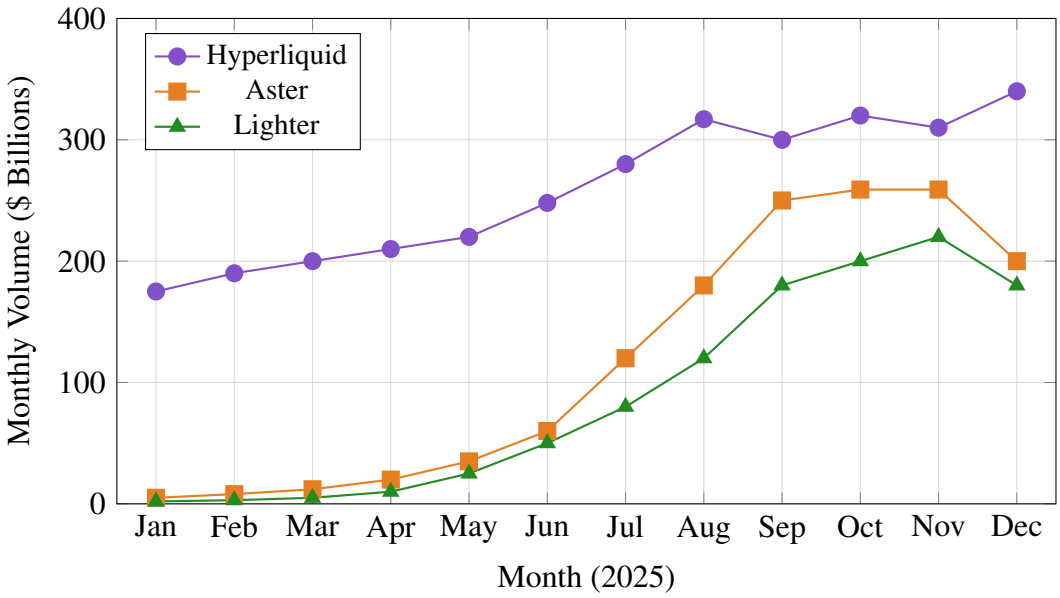


Figure 7: Perpetual DEX Monthly Volume Evolution (2025): Hyperliquid maintained volume leadership while facing increased competition in H2 from incentive-driven competitors.

4.2 Competitive Analysis Matrix

Table 3: Perpetual DEX Competitive Comparison (January 2026)

Feature	**Hyperliquid**	**Aster**	**Lighter**	**dYdX**	**GMX**
Architecture	Custom L1	Multi-chain	Custom L1	Cosmos Chain	Arbitrum L2
Trading Engine	On-chain CLOB	Hybrid	ZK-CLOB	Off-chain CLOB	Oracle AMM
Throughput	200K OPS	Variable	100K+ OPS	100K TPS	L2 Limited
Latency	<0.2s	0.5–2s	<0.3s	<1s	2–10s
Max Leverage	50x	1001x	100x	100x	100x
Trading Fees	∼2–3 bps	Zero	Zero	2.5 bps	0.1%
Gas Fees	Zero	Variable	Zero	Low	Variable
VC Funding	None	Yes	Yes	Yes	Yes
Token FDV	∼$16B	∼$2B	∼$800M	∼$1.5B	∼$600M
Revenue (Ann.)	$843M	N/A	$36M	$50M	$100M

4.3 Sustainable Competitive Advantages

4.3.1 Network Effects and Liquidity Depth

Hyperliquid's dominance in Open Interest (62% market share as of late 2025) represents a more durable moat than raw trading volume. Open Interest measures committed capital—traders with active positions who require liquidity to manage risk. This structural liquidity creates a flywheel:

$$\text{Deep Liquidity} \rightarrow \text{Lower Slippage} \rightarrow \text{More Traders} \rightarrow \text{More Liquidity} \tag{2}$$

4.3.2 Revenue Quality and Sustainability

Unlike competitors subsidizing growth through incentive programs and zero-fee trading, Hyperliquid generates **$843 million in annualized revenue** from organic trading activity [6]. This cash flow funds token buybacks (97% of fees allocated to Assistance Fund burns) rather than dilutive emissions, creating sustainable tokenomics.

4.3.3 Infrastructure Lock-In

The HyperEVM ecosystem now hosts over 100 deployed protocols with $2+ billion TVL. This application layer creates switching costs: traders using Hyperliquid-native lending protocols, yield strategies, and wallet integrations face friction in migrating to alternative platforms.

4.4 Centralized Exchange Comparison: The CEX Displacement Metrics

While the previous analysis focused on decentralized competitors, the ultimate benchmark for Hyperliquid is the performance of major Centralized Exchanges (CEXs). This section provides a detailed comparison across critical trading infrastructure metrics.

4.4.1 Market Coverage: Trading Pairs

Table 4: Trading Pair Coverage Comparison (January 2026)

Metric	Hyperliquid	Binance	Bybit	Coinbase	Kraken
Perpetual Pairs	150+	300+	400+	80+	100+
Spot Pairs	100+	1,500+	600+	250+	200+
RWA Perpetuals	20+	0	0	0	0
Permissionless Listing	Yes (HIP-3)	No	No	No	No
24/7 Availability	Yes	Yes	Yes	Yes	Yes

4.4.2 Open Interest and Liquidity Depth

Open Interest represents committed capital and serves as a proxy for genuine liquidity depth. Hyperliquid's ability to compete with established CEXs on this metric demonstrates its institutional adoption.

Table 5: Open Interest Comparison—Major Trading Pairs (January 2026)

Asset	**Hyperliquid**	**Binance**	**Bybit**	**Coinbase**	**Kraken**
BTC-PERP OI	$2.8B	$8.5B	$4.2B	$1.2B	$800M
ETH-PERP OI	$1.4B	$4.2B	$2.1B	$600M	$400M
SOL-PERP OI	$450M	$1.8B	$900M	$200M	$150M
Total Perp OI	$7.8B	$18B	$9B	$2.5B	$1.8B
HL vs CEX Ratio	—	43%	87%	312%	433%

4.4.3 Order Book Depth and Slippage Analysis

Liquidity depth—measured as the capital required to move price by a given percentage—is critical for institutional execution quality. In January 2026, Hyperliquid founder Jeff Yan demonstrated that Hyperliquid has achieved **superior liquidity depth** compared to Binance for BTC perpetuals:

- **BTC Spread**: Hyperliquid ∼$1 vs. Binance ∼$5.50
- **Order Book Depth**: Hyperliquid ∼140 BTC cumulative ask liquidity vs. Binance ∼80 BTC

This represents a historic milestone—the first time a decentralized exchange has demonstrably outperformed the world's largest centralized exchange on core liquidity metrics.

Table 6: BTC Perpetual Order Book Depth and Spread Metrics (Updated January 2026)

Metric	**Hyperliquid**	**Binance**	**Bybit**	**Coinbase**	**Kraken**
BTC Spread	∼$1	∼$5.50	∼$3	∼$8	∼$12
Ask Depth (BTC)	∼140 BTC	∼80 BTC	∼65 BTC	∼25 BTC	∼18 BTC
2% Depth	$85M+	$65M	$50M	$25M	$18M
0.1% Depth	$15M	$12M	$10M	$4M	$3M
Slippage for $1M Market Order:					
BTC-PERP	0.008%	0.02%	0.015%	0.04%	0.06%
ETH-PERP	0.01%	0.025%	0.02%	0.05%	0.08%
SOL-PERP	0.02%	0.03%	0.03%	0.08%	0.12%
Slippage for $10M Market Order:					
BTC-PERP	0.05%	0.08%	0.10%	0.25%	0.35%
ETH-PERP	0.08%	0.12%	0.14%	0.35%	0.50%

The superior liquidity metrics are attributed to Hyperliquid's order cancellation optimization, which protects market makers from toxic flow and enables them to quote tighter spreads with larger size. All liquidity is fully on-chain and verifiable, eliminating the counterparty risk inherent in centralized venues.

4.4.4 Fee Structure Comparison

The fee structure represents a critical competitive dimension. Hyperliquid's gas-free model and competitive maker/taker fees position it favorably against CEX incumbents:

Table 7: Trading Fee Structure Comparison

Fee Type	**Hyperliquid**	**Binance**	**Bybit**	**Coinbase**	**Kraken**
Perpetual Futures (Base Tier):					
Maker Fee	0.010%	0.020%	0.020%	0.040%	0.020%
Taker Fee	0.035%	0.050%	0.055%	0.060%	0.050%
Spot Trading (Base Tier):					
Maker Fee	0.010%	0.100%	0.100%	0.400%	0.160%
Taker Fee	0.035%	0.100%	0.100%	0.600%	0.260%
Gas/Network Fee	**Zero**	N/A	N/A	N/A	N/A
Withdrawal Fee	Variable	Variable	Variable	Variable	Variable
Funding Interval	**1 hour**	8 hours	8 hours	1 hour	4 hours

Funding Rate Mechanics and Comparison Hyperliquid's funding mechanism differs significantly from centralized exchanges, offering more frequent settlement and a lower base interest rate:

Table 8: Funding Rate Parameter Comparison

Parameter	Hyperliquid	Binance	Bybit	OKX	dYdX
Funding Interval	**1 hour**	8 hours	8 hours	8 hours	8 hours
Base Interest Rate	0.01%/8h	0.03%/day	0.03%/day	0.03%/day	0.125%/8h
(Equivalent/hour)	0.00125%/h	0.00125%/h	0.00125%/h	0.00125%/h	0.0156%/h
Funding Cap	**4%/hour**	Variable	Variable	0.75%	4.17%
Premium Calculation	TWAP	TWAP	TWAP	TWAP	Oracle
Settlement	On-chain	Off-chain	Off-chain	Off-chain	On-chain

Key advantages of Hyperliquid's funding mechanism:

- **Hourly Settlement**: More frequent funding intervals (1 hour vs. 8 hours) provide finer-grained price convergence and reduce the risk of large funding payments accumulating.
- **Higher Funding Cap**: The 4% per hour cap allows Hyperliquid perpetuals to accommodate larger spreads during volatility, making them more susceptible to higher funding payments but also more responsive to market conditions.
- **Full Transparency**: All funding calculations occur on-chain with verifiable oracle prices, eliminating the opacity concerns that have plagued CEX funding mechanisms.

HIP-3 Market Funding Differences Builder-deployed HIP-3 perpetuals operate with modified funding parameters:

- **Funding Multiplier**: Deployers can set a custom funding multiplier per asset (default 1.0x), allowing markets to use amplified or dampened funding rates.
- **Premium Calculation**: HIP-3 markets using Hyperps (pre-launch markets) calculate the premium index at 1% of the usual clamped interest rate and premium formula.
- **Deployer Control**: Market operators maintain control over oracle specifications and funding parameters within protocol-defined bounds.

4.4.5 Competitive Position Assessment

The comparative analysis reveals Hyperliquid's position relative to CEX incumbents:

- **Open Interest**: Hyperliquid's $7.8B total OI represents 43% of Binance and 87% of Bybit—remarkable penetration for a decentralized platform operating for less than three years.
- **Liquidity Depth**: As of January 2026, Hyperliquid has achieved **superior liquidity depth** compared to Binance for BTC perpetuals, with tighter spreads ($1 vs. $5.50) and deeper order books (140 BTC vs. 80 BTC cumulative ask liquidity). This represents a historic milestone for decentralized exchanges.
- **Slippage**: For institutional orders ($1M–$10M), Hyperliquid now achieves **lower slippage than Binance**—a dramatic reversal from early DEX implementations that suffered 10–100x worse execution.
- **Fee Advantage**: Hyperliquid's fee structure is **40–80% lower** than major CEXs on perpetual trading and offers the unique advantage of zero gas fees, eliminating a friction point that handicaps other on-chain venues.
- **Funding Efficiency**: Hyperliquid's 1-hour funding interval provides more granular price convergence than the 8-hour intervals used by Binance and Bybit.
- **Unique Capabilities**: Permissionless listing via HIP-3, Growth Mode for ultra-low fee markets, and RWA perpetuals represent capabilities that no CEX currently offers, creating blue ocean opportunities in underserved market segments.

The data supports the thesis that Hyperliquid has *surpassed competitive parity* with centralized exchanges and now demonstrates superior execution quality on key metrics while maintaining the sovereignty and transparency advantages inherent to decentralized infrastructure.

5 Traditional Finance Integration

The Convergence Strategy

While displacing centralized crypto exchanges represents the current battleground, Hyperliquid's long-term strategic vision encompasses the significantly larger opportunity of Traditional Finance (TradFi) integration.

5.1 The RWA Opportunity

The tokenization of Real-World Assets represents a $130+ trillion addressable market encompassing fixed income, equities, commodities, real estate, and private credit. Hyperliquid's infrastructure is uniquely positioned to capture this opportunity through:

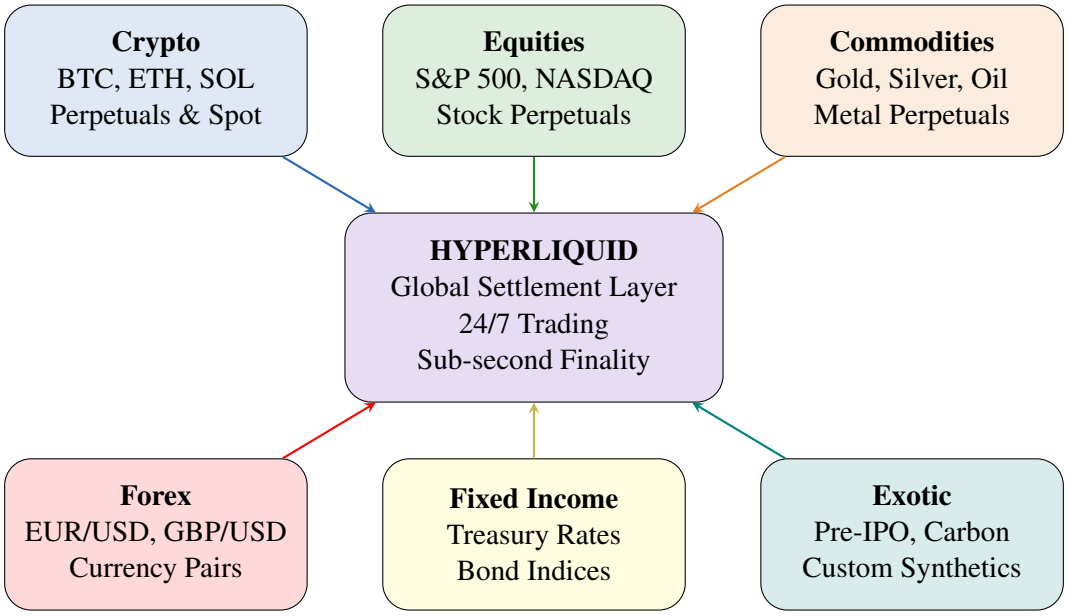


Figure 8: Hyperliquid as Universal Asset Settlement Layer: HIP-3 enables permissionless deployment of perpetual markets across all asset classes, positioning the platform as infrastructure for global 24/7 trading.

5.2 Strategic Partnerships

5.2.1 Circle Native USDC Integration

In September 2025, Circle announced native USDC deployment on Hyperliquid—a landmark partnership that brings the world's largest regulated stablecoin ($73B+ market cap) directly to the platform. Key integration elements include:

- **Native Deployment**: USDC deployed natively on HyperEVM with CCTP V2 (Cross-Chain Transfer Protocol), enabling seamless cross-chain transfers across 14+ supported blockchains.

- **Direct Stakeholder**: Circle became a direct HYPE token holder, signaling long-term commitment to the ecosystem.
- **Validator Consideration**: Circle is evaluating becoming a Hyperliquid validator, which would further integrate institutional infrastructure.
- **Developer Programs**: Comprehensive incentive programs for HIP-3 and HyperEVM builders to encourage USDC usage and integration.
- **Institutional On-Ramps**: Circle Mint integration enables institutional-grade USDC on/off-ramps directly to Hyperliquid.

The partnership is strategically significant as approximately 7% of all USDC supply already resides on Hyperliquid, and the platform has captured 70% of USDC's liquidity share on Arbitrum.

5.2.2 Tether and USDT0 Integration

In January 2026, Tether deployed **USDT0**—its omnichain stablecoin standard—natively on Hyperliquid. Unlike bridged assets carrying wrap risk, USDT0 is native to the L1, enabling:

- Direct settlement in the world's largest stablecoin ($140B+ market cap)
- Access to Tether's global payment rails
- Institutional-grade liquidity for RWA trading pairs

5.2.3 Ethena and USDe/HyENA

Ethena Labs, issuer of the synthetic dollar USDe ($12.5B market cap), has deeply integrated with Hyperliquid through:

- **USDe as Collateral**: Native support for USDe spot trading and margin collateral
- **HyENA Trade**: A dedicated HIP-3 perpetual exchange accepting only USDe collateral, launched December 2025
- **Hedging Venue**: Ethena's delta-neutral strategy requires shorting perpetuals to hedge spot holdings; Hyperliquid serves as primary hedge execution venue
- **USDH Proposal**: Ethena submitted a proposal to issue Hyperliquid's native stablecoin (USDH) backed by USDtb (BlackRock BUIDL-backed)

5.2.4 Dreamcash: USDT-Collateralized RWA Markets

In January 2026, **Dreamcash** launched a groundbreaking partnership with Tether and Selini Capital to deploy USDT-collateralized RWA HIP-3 perpetual markets on Hyperliquid. This initiative represents a critical bridge between TradFi liquidity and on-chain derivatives:

- **USDT0 Collateral**: First HIP-3 markets operating on the USDT0 network—Tether's cross-chain stablecoin built on LayerZero's OFT standard. Since launch, USDT0 has processed over $50 billion in transfers across 15 networks.
- **Mobile-First Interface**: Dreamcash provides a fintech-style application targeting retail USDT holders globally, eliminating traditional KYC friction for initial access.
- **Selini Capital Market Making**: Professional liquidity provision from Selini Capital ensures institutional-grade execution, tight spreads, and reliable pricing from launch.
- **Global Access**: Enables traders in emerging markets—where USDT often serves as the primary unit of account—to access RWA perpetuals (equities, commodities, forex) without geographic restrictions.

The Dreamcash partnership specifically targets the massive pool of USDT holders on centralized exchanges and in emerging markets, representing potentially hundreds of billions in deployable capital for on-chain derivatives trading.

5.3 The 24/7 Market Thesis

Traditional markets operate on fragmented schedules: US equities trade 9:30 AM–4:00 PM ET; European markets follow different hours; Asian markets overlap partially. This creates:

- Gap risk during non-trading hours
- Inability to react to global events in real-time
- Artificial liquidity fragmentation

Hyperliquid's infrastructure enables **continuous 24/7 trading** of RWA perpetuals, allowing global participants to price assets and manage risk at any moment. This represents not merely convenience but a fundamental improvement in market efficiency.

6 Economic Model: Deflationary Value Accrual

The HYPE token represents a sophisticated economic design that directly links protocol usage to token scarcity through an aggressive buyback-and-burn mechanism.

6.1 Token Distribution

Figure 9: HYPE Token Distribution: The "community-first" allocation dedicates nearly 70% to community distribution, contrasting sharply with industry-standard 15–20% community allocations.

6.2 The Assistance Fund Mechanism

The **Assistance Fund (AF)** was originally designed as an insurance backstop for the protocol. However, a pivotal governance vote in late 2025 transformed it into a deflationary engine:

1. **Fee Accumulation**: Up to 97% of net protocol fees flow into the Assistance Fund
2. **HYPE Acquisition**: The AF continuously purchases HYPE tokens from the open market
3. **Permanent Burn**: Acquired tokens are permanently burned, removing them from circulation

$$\frac{d(\text{Circulating Supply})}{dt} = \text{Emissions} - \text{AF Burn Rate} \tag{3}$$

At current revenue levels ($843M annualized), the burn rate significantly exceeds new emissions, creating net deflationary pressure.

6.3 Valuation Framework

Table 9: HYPE Fundamental Valuation Metrics

Metric	Value	Context
Annualized Revenue	$843M	Top 5 crypto protocol by revenue
Market Cap (Circulating)	~$10B	As of January 2026
P/E Ratio (Burn-Adjusted)	11–12x	Tech stocks: 30–50x; Ethereum: >100x
Revenue Market Share	36%	Of all crypto perp revenue
Market Cap Share	~1.2%	Of total crypto market cap
Fee-to-Burn Ratio	97%	Direct value accrual to holders

The fundamental case for HYPE undervaluation rests on the discrepancy between revenue dominance (36% of perp revenue) and market cap allocation (1.2% of crypto). If valuations converge toward revenue contribution, significant upside exists.

7 Trading Infrastructure and Risk Management

Hyperliquid's trading infrastructure mirrors the sophistication of institutional-grade centralized exchanges while maintaining full on-chain transparency. This section examines the platform's advanced order types, margin systems, and the Auto-Deleveraging (ADL) mechanism that proved critical during the October 2025 market cascade.

7.1 Advanced Order Types

Hyperliquid supports a comprehensive suite of order types designed for both retail traders and professional market makers:

Table 10: Hyperliquid Order Type Specifications

Order Type	Description
Market	Immediate execution at best available price
Limit	Executes at specified price or better; rests on book if unmatched
Stop Market	Triggers market order when stop price is reached
Stop Limit	Places limit order when stop price is triggered
Scale	Distributes multiple limit orders across a defined price range
TWAP	Time-Weighted Average Price—splits large orders into 30-second suborders with 3% max slippage

Order Modifiers and Flags

- **Good-Til-Cancel (GTC)**: Order remains active until filled or manually canceled
- **Immediate-Or-Cancel (IOC)**: Unfilled portions are immediately canceled
- **Post-Only (ALO)**: Ensures order adds liquidity; rejected if would take
- **Reduce-Only**: Only decreases existing position; prevents accidental reversals
- **Take-Profit/Stop-Loss**: Automated exit triggers at specified prices

7.2 Margin Modes

Hyperliquid offers two margin configurations to accommodate different risk management approaches:

7.2.1 Cross Margin

Cross margin shares collateral across all open positions, maximizing capital efficiency. The entire account balance serves as margin for all positions, enabling:

- Higher effective leverage through pooled collateral
- Unrealized gains on one position offsetting unrealized losses on another
- Reduced liquidation risk for diversified portfolios

7.2.2 Isolated Margin

Isolated margin dedicates specific collateral to individual positions, containing potential losses:

- Maximum loss limited to allocated margin per position
- Other positions unaffected by single-position liquidation
- Preferred for high-risk, speculative trades

7.3 Auto-Deleveraging (ADL): The October 2025 Stress Test

On October 10, 2025, cryptocurrency markets experienced a severe correction that stress-tested derivatives infrastructure across all major venues. Hyperliquid's ADL mechanism activated for the **first time in over two years of operation**, demonstrating the protocol's resilience under extreme conditions.

7.3.1 The October 10 Cascade

Between 21:16 and 21:21 UTC, Hyperliquid processed:

- **40+ ADL events** in a 10-minute window
- **$2.1 billion** in positions closed through ADL
- **35,000 individual ADL transactions** in a 5-minute peak period
- Market depth collapsed by **98%** (from $1.2M to $27K)

The HLP vault absorbed approximately **$40 million** in liquidation flow during the most volatile hour, demonstrating the backstop mechanism's effectiveness.

7.3.2 ADL Mechanism Design

Hyperliquid's ADL operates as a multi-layered safety net, activating only when all other mechanisms fail:

1. **Standard Liquidation**: Position closed via market orders when margin falls below maintenance requirement
2. **HLP Backstop**: If order book insufficient, position transfers to HLP vault
3. **ADL Activation**: Only triggers when HLP vault or isolated account value becomes negative

The triggering condition is mathematically defined as:

$$\text{Insurance Fund Balance} + \text{Position Margin} + \text{Unrealized PnL} \leq 0 \tag{4}$$

7.3.3 ADL Priority Ranking

When ADL activates, the protocol ranks profitable traders for position reduction using a composite score:

$$\text{ADL Rank} = \frac{\text{Mark Price}}{\text{Entry Price}} \times \frac{\text{Notional Position}}{\text{Account Value}} \tag{5}$$

This formula prioritizes traders with:

- Higher unrealized profit percentage (mark/entry ratio)
- Higher effective leverage (position/account ratio)
- Larger absolute position sizes

7.3.4 Lessons from the October Event

Analysis of the October 10 cascade revealed several key findings:

- **Net Positive Outcome**: ADL events coincided with price bottoms, resulting in **hundreds of millions in realized gains** for closed short positions
- **Portfolio Blindness**: ADL does not recognize hedging strategies—individual positions are ranked independently, potentially unwinding protective hedges first
- **Systemic Stability**: The platform maintained solvency throughout, with normal trading resuming within hours
- **Transparent Execution**: All ADL events were recorded on-chain, unlike CEX liquidations which are often underreported by 100x

Jeff Yan addressed the event directly: *"On 10/10, Hyperliquid ADLs net made users hundreds of millions of dollars by closing profitable short positions at favorable prices. If more positions had been backstop liquidated, HLP could have made more money—but that would have been worse for users."*

7.4 Market Manipulation Incidents: Stress-Testing Resilience

Beyond the October cascade, Hyperliquid weathered several targeted manipulation attempts in 2025, each revealing both vulnerabilities and the protocol's adaptive capacity.

7.4.1 The ETH Whale Attack (March 12, 2025)

A sophisticated trader using wallet `0xf3f4` executed what analysts termed "liquidation arbitrage"—deliberately triggering liquidation to extract value from HLP.

Attack Mechanics:

- **Initial Position**: Deposited $15.23M USDC, opened 175,000 ETH long (~$340M notional) at 50x leverage
- **Entry Price**: $1,884.4/ETH with liquidation threshold at $1,839
- **Profit Extraction**: Withdrew $17.09M USDC (unrealized profits), raising liquidation price
- **Forced Liquidation**: Remaining 160,000 ETH position liquidated at $1,915/ETH
- **Outcome**: Trader profited **$1.86M**; HLP absorbed **$4M loss**

Protocol Response: Hyperliquid immediately reduced maximum leverage:

- Bitcoin: Reduced to **40x** (from 50x)
- Ethereum: Reduced to **25x** (from 50x)
- Implemented **20% coefficient** on margin transfers effective March 15

Bybit CEO Ben Zhou commented: *"This ultimately leads to the discussion on leverage, DEX vs CEX capabilities... DEXs should consider implementing market surveillance tools similar to those used by CEXs."*

7.4.2 The JELLYJELLY Attack (March 26, 2025)

The most controversial incident involved coordinated manipulation of the Solana memecoin JELLYJELLY, allegedly orchestrated by parties connected to competing exchanges.

Attack Sequence:

1. Wallet `0xde9` opened $4.1M short position on JELLYJELLY (then $10M market cap)
2. Wallets `0x20e` and `0x67f` opened offsetting long positions ($2.15M + $1.9M)
3. Attackers withdrew margin, self-liquidating the short to HLP

4. Attackers pumped JELLYJELLY **400%+** via spot purchases, inflating HLP's short loss

5. HLP unrealized losses reached **$12–13.5M**

Exchange Coordination Allegations: On-chain investigator **ZachXBT** discovered that attacker wallets were **freshly funded from Binance and OKX**. Within hours of the attack:

- Binance listed JELLYJELLY perpetuals (Yi He responded "Ok, received/got it" to listing requests)
- OKX simultaneously listed JELLYJELLY perpetuals
- Market cap pumped to $50M+, threatening HLP solvency

Crypto trader Byzantine General observed: *"It's very, very hard to interpret this as anything else than 2 of the biggest CEXs trying to bury a DEX competitor."*

Protocol Resolution: Hyperliquid validators voted unanimously to:

- **Delist JELLYJELLY perpetuals** immediately
- **Settle all positions** at previous oracle price of $0.0095 (not the manipulated $0.50)
- **Convert $10.63M loss to $703K gain** for HLP
- **Reimburse affected users** (except flagged attackers) via Hyper Foundation

The attackers deposited $7.17M total, withdrew $6.26M before freeze, leaving $900K frozen on platform.

Controversy and Criticism: The intervention sparked intense debate about decentralization:

> *"The way Hyperliquid handled the $JELLY incident was immature, unethical, and unprofessional, triggering user losses and casting serious doubts over its integrity. The decision to close the $JELLY market and force settlement of positions at a favorable price sets a dangerous precedent. Hyperliquid may be on track to become FTX 2.0."* — Gracy Chen, CEO of Bitget

Arthur Hayes countered: *"Let's stop pretending Hyperliquid is decentralized. And then stop pretending traders actually give a fuck."*

7.4.3 The POPCAT Attack (November 2025)

The POPCAT attack demonstrated a novel manipulation vector—coordinated "spoofing" combined with strategic liquidation targeting, executed with apparent disregard for the attacker's own capital.

Attack Mechanics:

- **Wallet Infrastructure**: Attacker deployed **19 separate wallets** in coordinated operation
- **Spoofing Strategy**: Constructed massive "buy wall" on $POPCAT to signal artificial demand and strength
- **Sudden Removal**: Abruptly pulled all buy orders, triggering cascading liquidations
- **HLP Impact**: Vault absorbed approximately **$4.9M in bad debt**
- **Attacker Loss**: Ironically lost **~$3M** of own capital in the attack

Structural Damage Intent: The attack's economics—losing $3M to inflict $4.9M damage—suggested the goal was **reputational harm** rather than profit extraction. This pattern mirrored the JELLYJELLY incident's apparent coordination with competing venues.

On-chain analysts noted the timing coincided with negative narratives about Hyperliquid's risk management, suggesting possible coordination with market participants seeking to undermine confidence in decentralized derivatives infrastructure.

Lessons Learned:

- Multi-wallet coordination detection requires enhanced heuristics
- Spoofing detection mechanisms from TradFi could be adapted for DeFi
- Economic attacks with negative expected value indicate adversarial motivations
- HLP resilience demonstrated through recovery despite significant loss absorption

7.4.4 Lessons and Infrastructure Improvements

These incidents prompted significant risk management enhancements:

Table 11: Post-Attack Infrastructure Changes

Measure	Implementation
Leverage Reduction	BTC 40x, ETH 25x maximum
Margin Transfer Rules	20% coefficient on withdrawals
Open Interest Caps	Notional and size limits per asset
Validator Response Time	2-minute consensus achieved
Listing Requirements	Stricter liquidity thresholds
ADL Improvements	Portfolio-aware hedging detection (roadmap)

Despite the controversies, HLP recovered quickly—its all-time profit remained **$60M+** even after losses. The HYPE token, while briefly dropping 23% during JELLYJELLY, recovered within days as the community recognized the protocol's survival demonstrated resilience rather than weakness.

8 Liquid Staking Ecosystem

The emergence of liquid staking protocols on Hyperliquid represents a critical evolution in capital efficiency, enabling HYPE holders to earn staking rewards while maintaining liquidity for DeFi participation.

8.1 Kinetiq: The Native Liquid Staking Protocol

Kinetiq launched in July 2025 as Hyperliquid's first truly native liquid staking solution, issuing **kHYPE** tokens to represent staked HYPE positions.

8.1.1 Protocol Mechanics

When users stake HYPE through Kinetiq:

1. HYPE is delegated to high-performing validators via the **StakeHub** system
2. Users receive **kHYPE** tokens at the current exchange rate
3. Staking rewards accrue to the protocol, **increasing the kHYPE/HYPE ratio** over time
4. kHYPE remains fully liquid and composable across DeFi

8.1.2 StakeHub: Autonomous Validator Management

Kinetiq's proprietary StakeHub system algorithmically optimizes validator selection based on:

- **Operational Performance**: Block proposals per second normalized by stake weight
- **Compliance**: Slashing history, jail events, and penalty records
- **Decentralization**: Enforces stake distribution floors to prevent concentration

The system continuously monitors and rebalances delegations, adapting to validator performance changes in real-time.

8.1.3 kHYPE Token Economics

Table 12: Kinetiq Protocol Metrics (January 2026)

Metric	Value
Total Value Locked (TVL)	$650M+
kHYPE Staking APY	2–3%
Unstaking Period	8 days (1-day delegation + 7-day queue)
Unstaking Fee	0.1%
Cumulative Fees Generated	$15M+
Active Validators	Multiple (dynamically managed)

8.1.4 DeFi Composability

kHYPE serves as a foundational building block across the Hyperliquid DeFi ecosystem:

- **Collateral**: Use kHYPE as borrowing collateral on money markets
- **Liquidity Provision**: LP kHYPE/USDC pairs on DEXs (Project X, UltraSolid V3)
- **Yield Stacking**: Combine staking yield with DeFi returns

8.2 Kinetiq Launch: Exchange-as-a-Service

In July 2025, Kinetiq announced **"Launch,"** an Exchange-as-a-Service (EaaS) platform addressing a significant capital barrier in the Hyperliquid ecosystem.

HIP-3 requires **1,000,000 HYPE** (approximately $40M) to deploy a perpetual exchange. Launch enables:

- **Crowdfunded Staking**: Teams crowdsource the required stake from community contributors
- **Exchange-Specific LSTs**: Contributors receive unique tokens (exLST) representing their share
- **Fee Distribution**: Trading fees flow to exLST holders proportionally
- **Governance Rights**: Token holders participate in exchange-specific decisions

8.3 Competitive Landscape

While Kinetiq dominates with $650M+ TVL, the liquid staking market includes:

- **stHYPE (Staked HYPE)**: Early entrant, now trailing with ~$500M TVL
- **Valantis Acquisition**: DeFi protocol acquired stHYPE to enhance liquidity
- **iHYPE**: Kinetiq's institutional-grade staking product

9 HyperEVM Protocol Ecosystem

HyperEVM, Hyperliquid's Ethereum-compatible smart contract layer, has emerged as a thriving DeFi ecosystem in its own right. Launched in February 2025, HyperEVM has grown to **$2+ billion TVL** within five months, securing **9th place** among Layer 1 blockchains—ahead of Avalanche.

9.1 Top HyperEVM Protocols by TVL

Table 13: HyperEVM Protocol Rankings (January 2026)

Rank	Protocol	Category	TVL	Description
1	Kinetiq	Liquid Staking	$650M+	kHYPE issuance, StakeHub
2	stHYPE	Liquid Staking	$500M+	First mover, Valantis acquired
3	Felix	CDP/Lending	$400M+	feUSD minting, vanilla lending
4	HyperLend	Lending	$380M+	Aave-style pools, flash loans
5	HyperSwap	DEX/AMM	$150M+	Native AMM + CLOB hybrid
6	HypurrFi	CDP	$100M+	USDXL stablecoin minting
7	Hyperbeat	Yield Vaults	$80M+	Automated yield strategies
8	Pendle (HL)	Yield Trading	$50M+	PT/YT tokenization
9	Valantis	DEX	$40M+	HOT AMM, stHYPE integration
10	Project X	Lending	$30M+	Risk-segmented pools

9.2 Protocol Deep Dives

9.2.1 Felix Protocol: The DeFi Banking Layer

Felix operates as Hyperliquid's primary CDP (Collateralized Debt Position) and lending platform, achieving **$1 billion TVL** in September 2025.

Key features:

- **feUSD**: Native stablecoin minted against HYPE collateral
- **Felix Vanilla**: Traditional lending markets (Aave-style)
- **Felix CDP**: Over-collateralized borrowing with stability pools
- **HyperCore Integration**: Oracle-free pricing from native order book
- **Outstanding Loans**: $100M+ ($61M CDP, $43M vanilla)
- **Stability Pool APY**: ~15%

Charlie Ambrose, Felix co-founder: *"Expecting substantial unlocks on the market side when write precompiles go live, and HyperEVM protocols can integrate much more closely with HyperCore."*

9.2.2 HyperLend: The Aave of Hyperliquid

HyperLend positions itself as the high-performance lending market, featuring:

- **Liquid Vaults**: Automated yield optimization
- **Flash Loans**: Atomic borrowing for arbitrage
- **Risk-Segmented Pools**: Isolated risk for volatile assets
- **Perp Position Collateral**: Borrow against open perpetual positions
- **TVL**: $380M+ (largest pure lending protocol)

9.2.3 Hyperbeat: One-Click Yield Optimization

Hyperbeat abstracts complex DeFi strategies into plug-and-play vaults:

- **Stablecoin Vaults**: Optimized USDC/USDH yields
- **kHYPE Strategies**: Liquid staking + lending yield stacking
- **VLP Integration**: Market-making for Ventuals perpetuals
- **Points Farming**: Multi-protocol airdrop optimization

9.2.4 HyperSwap: Native DEX Infrastructure

HyperSwap provides the foundational swap infrastructure, blending:

- **AMM Pools**: Constant-product for long-tail assets
- **CLOB Integration**: Route to HyperCore order book for deep pairs
- **Concentrated Liquidity**: Uniswap V3-style positions

9.3 Ecosystem Growth Metrics

Table 14: HyperEVM Network Statistics (January 2026)

Metric	Value
Total Value Locked	$2.0B+
Daily Transactions	200,000–400,000
Daily Active Users	15,000–20,000
Deployed Protocols	100+
Chain Ranking (by TVL)	#9 (ahead of Avalanche)
Block Time	~2 seconds (fast blocks)
Gas Fees	Near-zero (EIP-1559 burns)

Galaxy Digital Research noted: *"Although activity remains modest compared to HyperCore, HyperEVM has demonstrated steady growth in transaction volume, total value locked, and application development since its launch. Momentum has been fueled by key infrastructure upgrades, a maturing DeFi ecosystem, and growing speculation about potential airdrops."*

9.4 Airdrop Farming Ecosystem

The anticipation of Season 2 airdrops has created sophisticated yield farming strategies:

1. **Kinetiq Entry**: Stake HYPE for kHYPE (base yield + Kinetiq points)
2. **Diversification**: Deploy kHYPE across Hyperbeat, HyperLend, Felix
3. **Points Stacking**: Earn points from each protocol simultaneously
4. **Volume Farming**: Trade on HyperCore for volume-based rewards

With **42% of HYPE supply** still reserved for future rewards and **$1.5B+ capital** flowing into ecosystem protocols since launch, HyperEVM has become the primary venue for Hyperliquid-native DeFi participation.

10 Digital Asset Treasuries (DATs)

The emergence of **Digital Asset Treasury** (DAT) companies represents a novel bridge between traditional equity markets and the Hyperliquid ecosystem, enabling public market investors to gain regulated exposure to HYPE.

10.1 Hyperion DeFi (NASDAQ: HYPD)

Hyperion DeFi (formerly Eyenovia, Inc.) became the **first U.S. publicly-listed company** to build a strategic HYPE treasury following a $50 million PIPE financing in June 2025.

10.1.1 Treasury Strategy

Table 15: Hyperion DeFi HYPE Holdings (September 2025)

Metric	Value
Total HYPE Holdings	1,712,195 HYPE
Average Purchase Price	$38.25/HYPE
Total Investment	$65M+
Acquisition Rounds	4 allocations
Custody Partner	Anchorage Digital

10.1.2 Strategic Value Proposition

Hyperion DeFi provides shareholders with:

- **Regulated Exposure**: SEC-compliant access to HYPE via traditional brokerage
- **Staking Yield**: Holdings generate native staking returns
- **Validator Participation**: 200,000 HYPE minimum qualifies as HyperCore quote asset
- **Kinetiq Airdrop**: Received KNTQ tokens from ecosystem participation

CEO Hyunsu Jung stated: *"Following the upcoming mainnet upgrade, a minimum stake of 200,000 HYPE will be required to qualify as an eligible quote asset on HyperCore. We see this as an opportunity for Hyperion DeFi to directly participate in new ecosystem deployments."*

10.2 Hyperliquid Strategies (NASDAQ: PURR)

Hyperliquid Strategies Inc. emerged through the merger of Sonnet BioTherapeutics and Rorschach (a SPAC connected to Paradigm) in November 2025.

10.2.1 Corporate Structure

- **Chairman**: Bob Diamond (former Barclays CEO)
- **Strategic Backers**: D1 Capital, Galaxy Digital, Pantera Capital, Republic Digital, 683 Capital
- **Shelf Registration**: $1 billion filed for HYPE treasury expansion
- **Stock Buyback**: $30 million repurchase program authorized (December 2025)

CEO David Schamis emphasized: *"Our primary objective is providing investors with efficient access to HYPE, the native token of the dominant Hyperliquid ecosystem. We will use our cash to increase our shareholders' per-share exposure to HYPE in the most efficient way possible."*

10.3 The MicroStrategy Model for HYPE

The DAT phenomenon mirrors MicroStrategy's Bitcoin treasury strategy, creating new demand vectors:

- **Institutional Access**: Pension funds, IRAs, and 401(k)s can access HYPE through regulated equity
- **Index Inclusion**: DATs may qualify for small-cap indices, driving passive flows
- **Leverage Effect**: Premium-to-NAV trading amplifies HYPE demand
- **Validator Economics**: Large holdings enable direct protocol participation

11 USDH: The Native Stablecoin Competition

The selection process for Hyperliquid's native stablecoin, **USDH**, represents one of the most significant on-chain governance events in DeFi history, attracting bids from major stablecoin issuers and institutional players.

11.1 The Competitive Landscape

Between September 10–14, 2025, Hyperliquid validators evaluated proposals from six major contenders:

Table 16: USDH Bidder Comparison

Bidder	Revenue Share	Key Offering	Outcome
Native Markets	50% (AF + Growth)	Hyperliquid-native, Bridge/Stripe	**Winner (70%+)**
Paxos	95–100%	PayPal/Venmo integration, $20M incentives	7.6% support
Ethena	95% + $75–150M	USDe/USDtb backing, BUIDL fund	Withdrew
Frax	100%	Regulated bank alliance, Treasury backing	Not selected
Sky (MakerDAO)	Variable	DAI ecosystem integration	Not selected
Agora	100%	Pure yield passthrough	Not selected

11.2 The Winning Proposal: Native Markets

Native Markets secured the USDH ticker with a **two-thirds supermajority** of staked HYPE, despite offering less generous revenue sharing than competitors.

11.2.1 Team Composition

- **Max Fiege**: Early Hyperliquid ecosystem investor and advisor
- **Anish Agnihotri**: Experienced blockchain researcher (Paradigm background)
- **MC Lader**: Former President and COO of Uniswap Labs

11.2.2 Reserve Architecture

USDH employs a hybrid reserve model:

- **Off-Chain Reserves**: Cash and U.S. Treasury Bills managed by **BlackRock**

- **On-Chain Reserves**: Tokenized assets via **Superstate** through Stripe's Bridge platform
- **Yield Distribution**: 50% to Assistance Fund (HYPE buybacks), 50% to ecosystem growth

11.3 Why Native Markets Won

Despite Paxos offering PayPal/Venmo integration and 95–100% revenue share, and Ethena pledging $150M in incentives, validators chose Native Markets because:

1. **Hyperliquid-First Design**: Team built specifically for the ecosystem, not adapting external infrastructure
2. **Alignment Over Incentives**: Ecosystem commitment valued over short-term financial offers
3. **Speed of Execution**: Promised deployment "within days" versus months for established issuers
4. **Validator Endorsements**: Early support from CMI Trading and other major validators

Chandler De Kock (Silhouette co-founder) noted: *"Other, more established players had stronger track records, but for them, USDH would have been just another project. For Native Markets, it's their core focus, and that alignment mattered to validators."*

11.4 USDH Launch and Adoption

USDH launched on September 23, 2025 with:

- **$2.2M** first-day trading volume
- **$15M+** pre-minted supply
- Stable $1.00 peg (peak deviation: $1.001)
- Phased rollout with $800/user caps during testing

The launch poses a direct challenge to Circle's USDC, which currently holds **$5.5 billion** on Hyperliquid (~8% of total USDC supply) and generates an estimated **$220M annually** in treasury yield for Circle.

12 Analytics and Transparency Infrastructure

Hyperliquid's commitment to on-chain transparency is supported by a robust ecosystem of analytics platforms, enabling unprecedented visibility into protocol operations and trading activity.

12.1 ASXN Hyperscreener

ASXN Labs operates the most comprehensive analytics dashboard for Hyperliquid at `hyperscreener.asxn.x` providing:

- **Protocol Revenue**: Real-time fee tracking across perps, spot, and HLP
- **Builder Analytics**: Revenue, volume, and user metrics for HIP-3 deployers
- **Auction Data**: 31-hour Dutch auction pricing and ticker allocation history
- **Token Holder Trends**: Distribution analysis and whale tracking
- **Staking Metrics**: Validator performance, delegation flows, and APY calculations
- **Portfolio Tracking**: Individual wallet analytics, PnL, and trade history

According to ASXN data, Hyperliquid achieved in 2025:

- **609,700 new users**
- **$2.95 trillion** cumulative volume
- **$844 million** total revenue
- **$3.87 billion** net inflows
- **198.9 billion** transactions processed

12.2 HypurrScan: The Native L1 Explorer

HypurrScan (`hypurrscan.io`) serves as the community-built explorer for Hyperliquid L1, developed by Syavel. Key features include:

- **24-Hour Revenue**: Rolling protocol revenue metrics
- **TWAP Monitoring**: Time-weighted average price execution tracking
- **Transaction History**: Complete on-chain activity for any address
- **Liquidation Tracking**: Real-time ADL and liquidation event monitoring
- **Validator Analytics**: Staking flows and validator performance

HypurrScan operates as a Hyperliquid validator, contributing to network security while providing infrastructure services.

12.3 Hyperscan: The Official HyperEVM Explorer

Hyperscan (`hyperscan.com`) is the official blockchain explorer for HyperEVM, powered by **Blockscout**—the same infrastructure behind Etherscan.

12.3.1 Unique Partnership Model

Notably, Hyperliquid secured Blockscout integration **without the standard fee arrangements** that other L1/L2 chains pay. This partnership reflects:

- Blockscout's recognition of Hyperliquid's strategic importance
- The protocol's leverage from organic adoption rather than paid integrations
- Alignment with Hyperliquid's zero-fee philosophy for infrastructure

12.4 Builder Ecosystem Analytics

The Hyperscreener data reveals the composition of Hyperliquid's builder ecosystem:

Table 17: Top Hyperliquid Builders (2025)

Builder	Volume	Users	Category
BasedApp	$35.18B	35,400	Trading Interface
Phantom	$23.05B	81,700	Wallet
PVP.Trade	$13.27B	19,500	Social Trading
Bitget	$2.53B	10,000+	CEX Integration

The ecosystem achieved:

- **289,800 builder users** at peak
- **$46.27 million** builder revenue
- **187 active builders**

13 Institutional Adoption

Hyperliquid's institutional adoption trajectory demonstrates the protocol's transition from retail-dominated DeFi venue to institutional-grade infrastructure.

13.1 ARK Invest Recognition

In September 2025, ARK Invest CEO **Cathie Wood** publicly compared Hyperliquid to early-stage Solana, calling it *"the new kid on the block"* during an interview on the Master Investor podcast.

Wood stated: *"It's exciting. It reminds me of Solana in the earlier days, and Solana has proven its worth and is, you know, there with the big boys."*

While ARK's public funds remain concentrated on Bitcoin, Ethereum, and Solana, Wood confirmed that the firm is **actively tracking Hyperliquid's development** and consulting with economist Art Laffer, who has advisory ties to the project.

13.2 Venture Capital Positioning

According to on-chain analyst **MLM** (@mlmabc), who operates the leading Hyperliquid intelligence channel, several major institutional players have accumulated significant HYPE positions:

13.2.1 Paradigm Holdings

As of November 2025, Paradigm holds approximately:

- **19,141,655 HYPE** across 19 addresses
- Value: ~$763 million at time of analysis
- Represents **1.91%** of total supply, **5.73%** of circulating supply
- **Largest institutional holder** of HYPE

13.2.2 a16z Acquisition

In September 2025, Andreessen Horowitz (a16z) acquired:

- **1,428,000 HYPE** from Anchorage Digital
- Value: $66.6 million at acquisition
- Transaction confirmed via on-chain analysis by @mlmabc

13.3 MLM: The On-Chain Detective

MLM (@mlmabc on X, Telegram: @mlmonchain) has established himself as the preeminent on-chain analyst for Hyperliquid, providing institutional-grade intelligence including:

- **Whale Tracking**: Real-time monitoring of large position movements
- **Cluster Analysis**: Identifying related wallet groups among top holders
- **Institutional Flow**: Tracking fund accumulation and distribution patterns
- **Liquidation Alerts**: Early warning on leveraged position risks

Notable discoveries include the identification of a "weird cluster" holding 4,363,073 HYPE ($158.2M), placing it among the top 10 holders—demonstrating the value of on-chain transparency for market intelligence.

13.4 Bitwise ETF Filing

In September 2025, **Bitwise Asset Management** filed for a **spot Hyperliquid ETF**, signaling institutional confidence in HYPE's long-term viability. The filing came amid intensifying competition in the perp DEX space, positioning HYPE alongside Bitcoin, Ethereum, and Solana as an ETF-eligible digital asset.

14 Leadership and Vision: The Jeff Yan Story

Behind Hyperliquid's technical excellence and market dominance stands **Jeff Yan** (@chameleon_jeff), a founder who has redefined what's possible in decentralized finance through relentless focus on product and deliberate avoidance of the typical Silicon Valley playbook.

14.1 Background and Philosophy

Jeff Yan's path to building Hyperliquid reflects an unconventional journey:

- **Physics Olympiad**: Gold medal at 2013 International Physics Olympiad representing the United States
- **Education**: Mathematics and Computer Science at Harvard University
- **High-Frequency Trading**: Early career at Hudson River Trading, mastering low-latency systems
- **Market Making**: Founded Chameleon Trading in 2020, becoming one of crypto's largest market makers
- **FTX Catalyst**: Witnessed the exchange collapse firsthand, motivating the decentralized alternative

14.2 The Bootstrap Philosophy

Jeff's decision to **reject venture capital** funding stands as a foundational principle:

"We didn't need to raise, so the decision was easy. Having venture capitalists own a large stake in a decentralized network would be a scar on the network and compromise its long-term development."

This philosophy enabled:

- **31% Community Airdrop**: Largest user-focused distribution in crypto history
- **Zero VC Allocation**: No insider token sales or preferential allocations
- **Product Focus**: No investor pressure for short-term metrics or premature announcements
- **Team Lean**: Just 10–11 core contributors building $2T+ volume platform

14.3 Roadmap Execution

Jeff's execution track record demonstrates methodical delivery:

Table 18: Hyperliquid Development Milestones

Date	Milestone
December 2023	Mainnet launch (Alpha phase)
Q1 2024	$1B daily volume achieved within 100 days
November 2024	HYPE token genesis; 31% airdrop to users
February 2025	HyperEVM mainnet launch
July 2025	HIP-3: Permissionless perpetual deployment
September 2025	USDH stablecoin governance vote
October 2025	First ADL activation—system resilience proven
January 2026	Liquidity depth exceeds Binance for BTC

14.4 The Vision

Jeff's articulation of Hyperliquid's mission is characteristically direct:

"Our core philosophy is: cryptocurrency will change the way finance works. Traditional finance will eventually migrate to cryptocurrency. Hyperliquid will become the basic platform for these financial activities."

The strategy is iterative improvement over milestone-driven hype cycles. As he noted: *"If something can be built by someone else, it should be built by someone else."* This humility belies the ambition—building the infrastructure layer for all of global finance.

14.5 Recognition

In December 2025, CoinDesk named Jeff Yan to its **"Most Influential"** list, recognizing him alongside the industry's most impactful figures. The recognition noted his "quiet focus" in a market that is "often loud and erratic," highlighting how Hyperliquid achieved dominance "without hype, investor backing, or a large team—just 11 core contributors, a vision rooted in technical precision, and a relentless focus on product."

14.6 The Community Contributors

While Jeff leads the technical vision, Hyperliquid's success depends on community contributors who extend the ecosystem's reach:

MLM (@mlmabc) has become the protocol's most recognized on-chain analyst, providing the transparency and intelligence that institutional adopters require. His Telegram channel (@mlmonchain) serves as the de facto source for whale movements, institutional flows, and market intelligence—embodying the transparent, community-driven ethos that Jeff established.

The Hyperliquid Foundation has recognized community contributions, including a **10,000 HYPE donation (~$254,000)** to blockchain investigator ZachXBT, demonstrating the protocol's commitment to supporting the broader ecosystem.

15 The Vision: Becoming the House of All Finance

The convergence of Hyperliquid's technical capabilities, market position, and strategic trajectory supports the thesis that the protocol is positioned to become the dominant infrastructure layer for global finance.

15.1 The Infrastructure Thesis

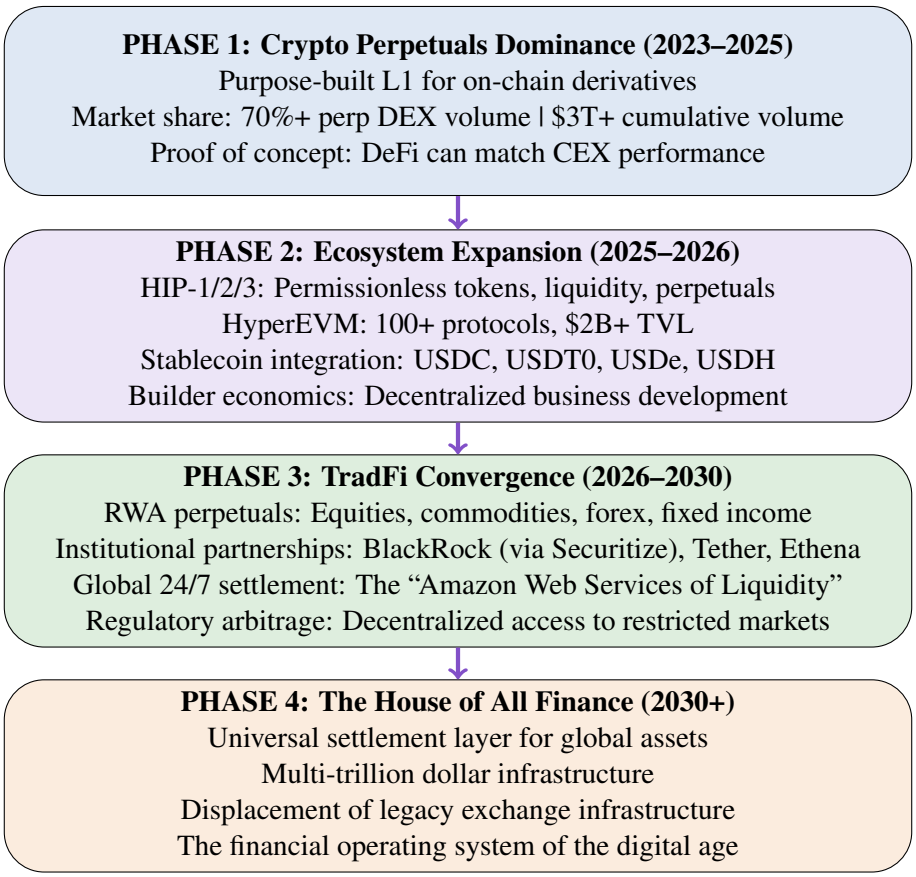


Figure 10: Hyperliquid Strategic Trajectory: From crypto perpetuals dominance through ecosystem expansion and TradFi convergence toward becoming the universal financial settlement infrastructure.

15.2 Supporting Evidence

15.2.1 Technical Superiority

No competing infrastructure matches Hyperliquid's combination of:

- Sub-200ms finality with deterministic settlement
- 200,000+ OPS throughput scaling to 1M+
- Fully on-chain order book with transparent execution

- Native EVM compatibility for DeFi composability
- Gas-free trading eliminating friction

15.2.2 Economic Moat

The self-reinforcing economics create durable advantages:

- Organic revenue ($843M) funds token buybacks, not mercenary incentives
- No VC overhang pressuring short-term metrics
- Community ownership (70% distribution) aligns stakeholders
- Builder economics (HIP-3 fee share) decentralizes growth

15.2.3 Strategic Positioning

The convergence with TradFi is accelerating:

- Tether integration provides the largest stablecoin ecosystem
- Ethena/BlackRock partnership brings institutional credibility
- HIP-3 RWA markets (gold, silver, S&P 500) demonstrate demand
- 24/7 trading addresses fundamental TradFi inefficiencies

15.3 Risk Factors

The thesis faces legitimate challenges:

1. **Competitive Pressure**: Aster, Lighter, and future entrants continue to challenge market share through aggressive incentives and zero-fee models.
2. **Regulatory Uncertainty**: The permissionless nature of HIP-3 perpetuals may attract regulatory scrutiny, particularly for RWA derivatives.
3. **Centralization Concerns**: Despite decentralization progress, validator concentration and closed-source core code remain points of criticism.
4. **Technical Risk**: As a novel, purpose-built L1, unforeseen vulnerabilities could emerge under stress conditions.
5. **Token Supply Dynamics**: 38.9% of supply remains in future emissions reserves, representing potential dilution.

16 Conclusion

Hyperliquid represents the maturation of the decentralized exchange thesis from theoretical promise to operational reality. Through rigorous optimization of its technical stack for the specific requirements of financial markets, the protocol has achieved what was previously considered impossible: institutional-grade trading performance with full on-chain transparency and self-custody.

The strategic evolution from crypto perpetuals (Phase 1) through ecosystem expansion via HIPs (Phase 2) to TradFi integration (Phase 3) reveals a coherent roadmap toward becoming "the blockchain to house all finance." The technical foundation supports this ambition; the economic model creates sustainable value accrual; and the strategic partnerships with Tether, Ethena, and institutional tokenization platforms provide the rails for traditional asset migration.

The $7.9 trillion in 2025 volume, $843 million in annualized revenue, and 62% open interest dominance are not merely impressive statistics—they are proof of product-market fit at scale. The HIP-3 activation of RWA perpetuals (gold, silver, equities) demonstrates the extensibility of the platform to any asset class.

Whether Hyperliquid achieves its full potential as the global settlement layer for 24/7 financial markets depends on execution against competitive threats, regulatory navigation, and continued technical innovation. However, the foundation has been laid for what could become the most significant infrastructure development in financial market history: the creation of a unified, permissionless, globally accessible system for the trading and settlement of all assets.

The house of all finance is being built. Hyperliquid is its foundation.

"Hyperliquid is the blockchain to house all finance. For the first time, build projects, create value, and exchange assets on the same hyper-performant chain."

— Hyper Foundation (2025)

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A Technical Specifications Summary

Table 19: Hyperliquid Technical Specifications

Component	Specification
Consensus	
Algorithm	HyperBFT (HotStuff derivative)
Block Finality	One-block (deterministic)
Median Latency	0.1–0.2 seconds
Fault Tolerance	33% Byzantine
Validator Set	21 active validators (DPoS)
HyperCore	
Language	Rust
Order Throughput	200,000 OPS (scalable to 1M+)
Trading Model	Central Limit Order Book (CLOB)
Gas for Trading	Zero (protocol-subsidized)
Margin Mode	Cross and Isolated
Max Leverage	50x (perps), Variable (HIP-3)
HyperEVM	
Compatibility	Ethereum Virtual Machine
Small Block Gas	2M (every $\sim$2 seconds)
Big Block Gas	30M (every $\sim$60 seconds)
Tooling	Hardhat, Foundry, Standard EVM
Token (HYPE)	
Max Supply	1,000,000,000
Community Allocation	$\sim$70%
Burn Mechanism	Assistance Fund (97% of fees)
Staking Minimum	10,000 HYPE (validators)
HIP-3 Stake	500,000 HYPE (deployers)

B Glossary of Terms

ADL Auto-Deleveraging—last-resort mechanism that closes profitable positions to maintain platform solvency when liquidations exceed insurance capacity.

CDP Collateralized Debt Position—mechanism for minting stablecoins against deposited collateral, used by Felix Protocol for feUSD.

Hyperp Hyperliquid-only perpetual contract that does not require underlying spot or index oracle price, used for pre-launch markets.

BFT Byzantine Fault Tolerance—consensus property allowing correct operation despite malicious participants.

CCTP Cross-Chain Transfer Protocol—Circle's infrastructure for secure USDC transfers across blockchains.

CLOB Central Limit Order Book—trading mechanism matching discrete buy/sell orders by price-time priority.

DAT Digital Asset Treasury—publicly-traded company holding cryptocurrency as primary treasury reserve (e.g., HYPD, PURR).

DPoS Delegated Proof of Stake—consensus mechanism where token holders delegate voting power to validators.

EaaS Exchange-as-a-Service—Kinetiq's model enabling builders to deploy HIP-3 exchanges without capital requirements through crowdfunded staking.

exLST Exchange-specific Liquid Staking Token—risk-isolated LST tied to a specific HIP-3 exchange deployment (e.g., kmHYPE for Markets.xyz).

Growth Mode HIP-3 feature reducing taker fees by 90%+ for new markets to bootstrap liquidity.

HIP Hyperliquid Improvement Proposal—formal mechanism for protocol upgrades.

HLP Hyperliquid Protocol Vault—shared liquidity and backstop pool providing market making and liquidation absorption.

HyperBFT Hyperliquid's custom consensus algorithm derived from HotStuff.

HyperCore Hyperliquid's native execution layer for high-performance trading primitives.

HyperEVM Ethereum-compatible smart contract environment on Hyperliquid.

kHYPE Kinetiq Staked HYPE—liquid staking token representing staked HYPE with automatic yield accrual.

LST Liquid Staking Token—tokenized representation of staked assets that remains transferable and DeFi-composable.

OPS Orders Per Second—measure of trading engine throughput capacity.

RWA Real-World Assets—traditional financial instruments (stocks, bonds, commodities) tokenized on blockchain.

StakeHub Kinetiq's autonomous validator management system using algorithmic selection and rebalancing.

TVL Total Value Locked—aggregate value of assets deposited in a protocol.

TWAP Time-Weighted Average Price—order type splitting large trades into 30-second suborders with 3% max slippage.

USDH Hyperliquid's native stablecoin issued by Native Markets with BlackRock/Superstate reserve backing.

USDT0 Tether's omnichain stablecoin standard built on LayerZero.