FLUXLAYER: High Performance Design for Cross-chain Fragmented Liquidity

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Summary

Paper outlines a protocol for cross chain swaps

- Interoperability of blockchains and fragmented liquidity
  - ◇ Dealing with horizontal scaling future of blockchains
- Focuses on AMM liquidity but could be for any market on any chain

Faces the same risks as bridges and faces the oracle problem

Focuses on arbitrage maximal extractable value (MEV)

Focus on arbitrage MEV

Arbitrage will exist wherever you have multiple markets trading the same assets

- This is not exclusively an MEV problem

Using an active validator set (AVS)

- Acts as the oracle
- Faster settlement (Apparently, limited by underlying blockchain)
- Shifting the consensus

MEV might be shifted to AVS set

- If they control the execution they can learn, act, and exploit the order flow
- Slashing of MEV validators reduces the incentive to validate

Intents and liquidity

Intents are just limit orders option to trade for a price and quantity (to/from location)

Intents do not guarantee liquidity or a price improvement

Uniswap X is an intents based model using request for quote (RFQ)

- RFQ works similar to payment for order flow
- Competition in orders to capture “uninformed” order flow
- Not guaranteed a price improvement of AMM
- Not guaranteed to enhance liquidity

Matching will not guarantee an improvement to your trade

Minor comments and conclusion

Risks in under collateralised lending

- Not really safe as stated in paper
- Flash loans are better suited as reverts without collateral risk

Solving interoperability is important, and extremely challenging

Look forward to seeing how the protocol progresses