Dynamic Fees

Unlike traditional AMMs, Ambient allows fordynamic liquidity fees . That involves periodically adjusting the fees in a pool over time to reflect changing market conditions.

Some AMMs support multiple fee tiers across the same pair. Initially Ambient will run with a single pool type with a dynamically adjusted liquidity fee. That assures that all LPs receive the market-optimal fee tier without having to manually move positions between pools.

Pool fee tier is titrated by an external policy oracle, which can be continuously update over time without any changes to the underlying DEX smart contract. The general idea is that lower fee tiers tend to out-perform during periods of market calm, as most swappers patiently route to the lowest cost pools. In contrast during periods of high volatility, demand for liquidity runs hot. Swappers will pay high cost to access immediate liquidity when.

The current fee tier model utilizes the fixed tier Uniswap V3 pools as a guineau pig. The policy oracle snapshots the accumulated returns to in-range liquidity every 60 minutes. The Ambient fee tier for that pair is dynamically toggled to whichever liquidity UniV3 pool is performing best over recent history.