Hi there,

I'm a market maker, mainly on Solana. I was one of the top MMs on Mango before it went offline. I've been talking with Ivan about providing liquidity for stSOL on Openbook and he suggested that I make a proposal for a grant. Before I get into the proposal and why we think it makes sense, maybe I should give some background/context. You can also just jump to the proposal section at the end (in bold).

Context/background:

Serum - Used to be the main spot market exchange on Solana and was started by FTX. Other projects like Mango and Raydium were built on top of Serum.

Mango -pretty much the most advanced DEX I've seen so far, full orderbook exchange offering PERPs, margin trading and lending/borrowing. This is where I started and came to know other people in the ecosystem.

Raydium - an AMM that is built on Serum.

Jupiter - A swapping platform that is an aggregator that gives you the best price for any pair by looking at pretty much all AMMs and exchanges on Solana.

Openbook:

After what happened to FTX, the community wanted to distance itself from FTX-related or FTX-controlled projects like Serum. Openbook is the fork of Serum that has no connection to FTX. It was led by Max Schneider and a small group of people. I was one of the people that helped bring it up and my role was/is to provide liquidity. I was the first to quote there and I currently have the vast majority of the volume.

The transition to openbook was very quick, I was quoting in less than 3 days of us starting to work on the project. Within a week, Raydium had moved, Jupiter integrated and Jump trading started quoting too.

Here is an article from Wired on the initiative:

WIRED – 22 Nov 22

The Race to Save Sam Bankman-Fried's Other Crypto Exchange

Following the collapse of FTX, a group of volunteers has gathered to try to salvage Serum. But the work is far from straightforward.

Some relevant tweets from Max and myself from that article

Here is the volume data for Openbook, you can see I usually have 60%-80% of the entire exchange's maker volume, the next is Jump at 15%-20%.

To trade on openbook, most people would just use jup.ag and it will sometimes suggest openbook when it has the best price. You can also trade directly by using a UI like this.

Openbook lets anyone build a UI and host it and earn some fees. The idea of the project is to be transparent and support the ecosystem.

Proposal:

I want to bring more pairs to openbook, so I'd like to start quoting stSOL/SOL pair.

I was introduced to Ivan by Soju, I first talked with Ivan about taking a loan so that I can start quoting stSOL and SOL. Normally, MMs would ask for a fee as well as the "inventory" (assets) to quote the token, but I only wanted the inventory.

I already have a deal like this withMarinade, their mSOL token is similar to stSOL.You can see me quoting mSOL/USDC here with their inventory here. I'm the only MM right now.

I have done this many times with others and not only Marinade, so there a few people that can vouch for me on Solana, including Max Schneider and Daffy (Mango founder). However, Ivan suggested that I, instead, apply for a grant for a smaller amount and then I use that to quote and if it looks good, we can take it from there.

I would suggest a grant of 1k stSOL and 1k SOL.

For comparison, Marinade gave me 2.6k mSOL.

Why this is good for Lido:

- Providing liquidity means it's easier to buy/sell/stake/unstake stSOL on Solana.

- Helping Openbook helps the ecosystem on Solana which is good for all of us.

- You can always view my live quoting online on openserum.io and see if my prices are good on jup.ag relative to other venues (mostly AMMs).

I also wanted to cover a point that Ivan discussed with me offline. This is about using an AMM vs a real market maker.

In summary, AMMs originated on Ethereum because the transaction speed is very low so it's an approximate solution to what a real MM does. AMMs are simple to use and are fully onchain and they don't need a fast blockchain at all. However, they sacrifice a lot to achieve that, they are extremely inefficient in terms of PnL.

AMMs are unaware of actual market price and the outside world e.g. if stSOL has a significant change in price because someone staked a large amount of SOL, an AMM will continue letting users buy at the current price and essentially buy at a discount until the price is pushed all the way to what it should be, whereas a real MM would simply quote a new price that reflects what they think is the correct market price.

AMMs only make money when most of the flow is retail (normal users buying/selling) and the market is going sideways (zigzag), but when there's a lot of bots and the market is moving mostly in one direction, they lose money and they call that "impermanent" loss i.e. loss/negative PnL On Solana, AMMs don't make much sense, because we have the speed to have an orderbook exchange like Serum/openbook/Mango which can have a simple interface (like [jup.ag](jup.ag)) to swap for users so you still offer the ease of use to retail users.

Thanks,

spacemonkey