

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 ~20%.

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image

696×463 32.7 KB

](https://europe1.discourse-cdn.com/business20/uploads/lido/original/2X/f/f5c882318f3280c807200de3bae69423d5ccf1ea.png)

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 with [Marinade](#), 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 are 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) to swap for users so you still offer the ease of use to retail users.

Thanks,

spacemonkey