Where does liquidity come from?

How can I provide liquidity to the protocol?

Written by Everett Hu
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Lending

Lending liquidity comes from the public. Anyone can lend on dYdX by depositing funds into your **Spot** or **Margin** Account. Interest is automatically earned after depositing.

Trading

The liquidity for all the **Perpetual, Margin, and Spot** markets comes from our own exchange which uses cryptographically-signed off-chain messages to establish an orderbook. Orders can be placed by users, liquidity providers, or market-makers using the Trade sidebar or programmatically via our API.

Currently, dYdX leverages a hybrid infrastructure model utilizing non-custodial, on-chain settlement and an off-chain low-latency matching engine with order books. This means that dYdX delivers an institutional-grade, liquid, and low slippage trading experience for the DeFi world, unlike AMM models. Our approach reduces the barriers to entry for users and market makers to participate and provide liquidity sustainably over the long-term. When liquidity providers submit a trade and it is matched, settlement is deterministic.

So far, market makers on dYdX have been primarily algorithm-focused (using APIs), and they have primarily been from the DeFi space. We are seeing increased appetite from market makers active in the CeFi space. The dYdX team has developed robust APIs for market makers and developers, in order to provide scalable and programmatic access to the marketplace. Please read our developer documentation here: https://docs.dydx.exchange/

If you are interested in market making or providing significant amounts of liquidity to dYdX, please get in touch with us - contact@dydx.exchange.

Did this answer your question?