



NEWS RELEASE

Bullish on liquidity

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The importance of liquidity to financial exchanges cannot be overstated. It underpins the ability to trade confidently or capitalize on market fluctuations at key moments. And even as the total volume traded on digital asset exchanges has grown exponentially in recent years, we have seen little done to improve access to deep and predictable liquidity. Until now.

Learning from Central Limit Order Books (CLOBs)

Most centralized exchanges implement high-performance Central Limit Order Books (CLOBs), which are subject to regulation and allow users to trade directly with each other in a real-time, low-cost environment.

To make these matches, however, centralized exchanges often rely upon external market makers to provide liquidity on their order books. What's more, in our view, these exchanges have probabilistic liquidation algorithms that don't always speak to their order book depth. That means during bouts of volatility — often the case in cryptocurrency trading, bids and offers are canceled as market makers remove liquidity when prices are uncertain.

And the liquidity issue is amplified even more when you consider how it's often fragmented across multiple exchanges. That means when you are interfacing with a single exchange, we believe in a similar fashion to equity markets, you are potentially transacting with liquidity that may live on a different venue and paying any fees and/or spread to get it to your exchange.

All of this results in a potentially expensive, inherently inefficient, and highly unpredictable landscape.

Building off the rise of DeFi and DEX



The rise of Decentralized Finance (DeFi) in part speaks to the desire to eliminate any rent-seeking layers to help drive more value back up to the end users. This trend is further backed by the fact that Decentralized Exchanges (DEX's) reported more than \$1 trillion in trading volumes in 2021 which is a 8x+ increase on the previous year according to **The Block Research**. Automated market makers (AMMs), which are powered by liquidity pools, arguably the greatest advantage of DEX, allow customers to trade with less slippage, even in highly volatile times. That's because liquidity pools — usually consisting of an equal ratio asset pair, such as BTC/USD or BTC/ETH — provide liquidity at prices calculated deterministically based on the size of the liquidity pool and the ratio of the assets within.

Some liquidity pools asymptotically increase the price of a token as the desired quantity increases. How much the price moves is dependent on the size of the trade in proportion to the size of the pool, which means deeper pools have less of an impact on asset price with each trade made. Slippage is significantly reduced even when the market is volatile.

The rise of DeFi and liquidity pools may have improved the cryptocurrency trading landscape, but DEX exchanges are not without their flaws. Trader profits can be hampered on DeFi exchanges by complex smart contracts that facilitate transactions. As each contract, or string of smart contracts, can trigger high gas fees, traders often have to deal with higher costs. Transactions either become prohibitively expensive as users bid to be one of the few transactions included in a block. All while being left exposed to risks of a lack of compliance, regulation, and security.

While the anonymity of a DeFi exchange might represent a value proposition to some, it's often a limitation for institutional money looking to safely access this emerging space. So, what's next?

Delivering the next evolution of the exchange

With Bullish, we redesigned the exchange with institutions and advanced retail clients in mind. The goal was to combine the best of CLOB and DEX to benefit asset holders and empower traders.

We call it the Bullish Hybrid Order Book. It combines the high performance and security of a CLOB with the deterministic liquidity across market conditions of automated market making.

Predictability and deep liquidity

The Bullish Hybrid Order Book is powered by our deep and predictable Bullish Liquidity Pools, which are backed by multibillion-dollar contributions from the Bullish Treasury. Our pools are designed to reduce slippage, helping to provide stability during bouts of volatility.



By building the proprietary Bullish Hybrid Order Book, we have enabled customers to trade at scale with low fees and stable liquidity, while they maintain consistent market access in a secure environment.

Discover more about the Bullish Hybrid Order Book