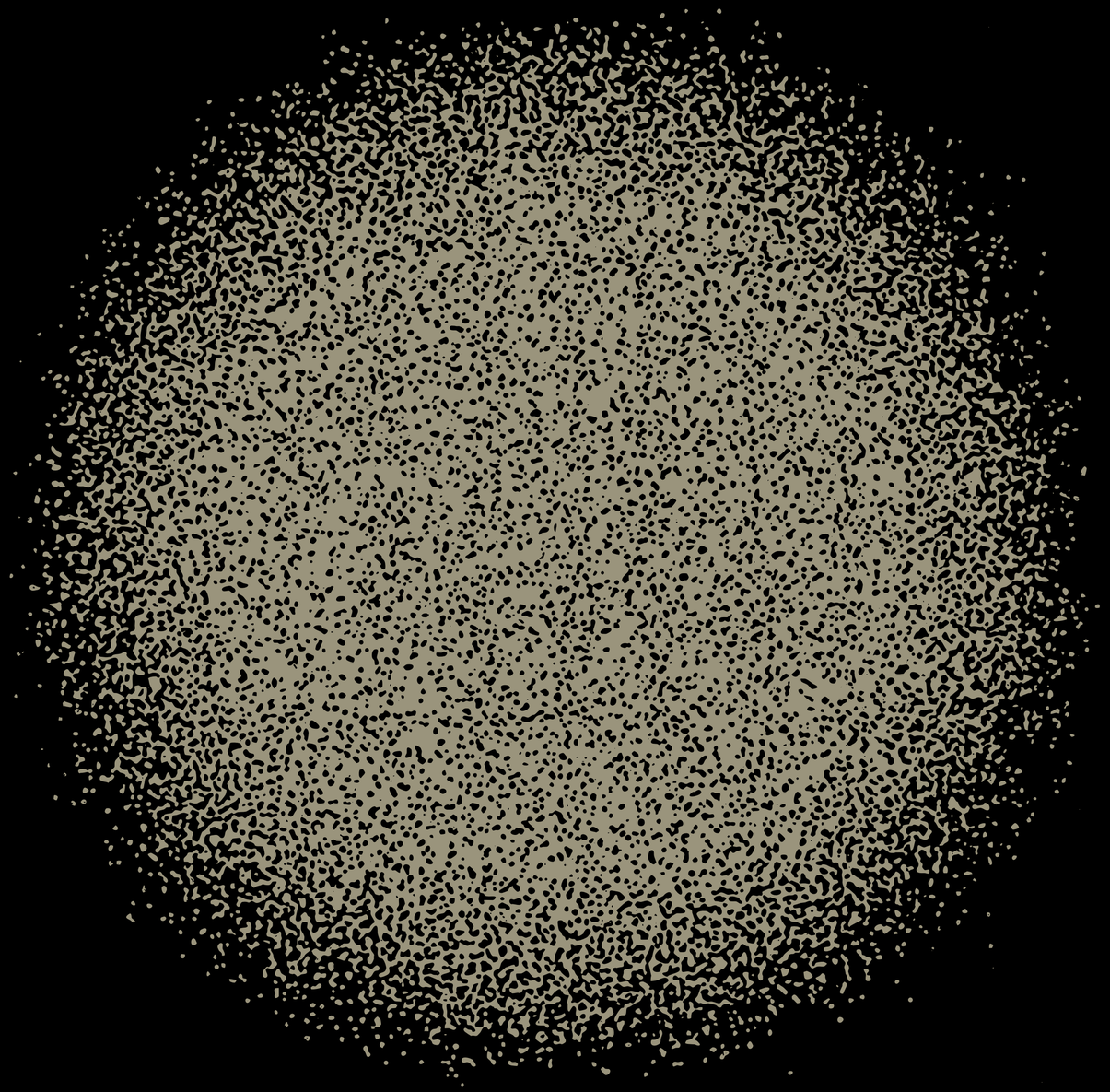


The State of Crypto Market Making –2025

A data-driven look at crypto market making, uncovering the existing *trust deficit* and helping founders navigate these critical partnerships with *clarity* and *control*.

A REPORT COMISSIONED BY

LO:TECH

LO.TECH/STATEOFMARKETMAKING

Why This Report Exists.

The crypto world has changed dramatically over the last 10 years.

However, two things have been persistent across that time: the presence of market makers, and a misunderstanding across the broader crypto community about what good market makers should be doing.

TIM MEGGS, CEO & CO-FOUNDER, LO:TECH

Regrettably, this misunderstanding has been fueled by ample examples of nefarious behaviour by firms labelling themselves as market makers, but who then have acted in ways to extract as much value from their clients as possible.

These actions have taken their toll on the ecosystem and its view of market making: 70% of the crypto community we surveyed wants to see market makers *stand trial for their conduct and activities.* And that's only the beginning.

Nearly half of those who have held tokens in projects that openly work with market makers believe they have experienced bad outcomes as a result. And it's not just the wider community, I've lost track of the number of conversations I've had with project founders who feel they've been burned by their *'supposed'* market making partner.

Clearly there's work to be done to repair this damage, and it's incumbent on the good market making firms out there to put in the effort to improve the situation.

LO:TECH commissioned this report to shine a light on the extent of damage this bad behaviour has done, illustrate the gaps in knowledge that need to be bridged, and offer a resource for those project founders who are keen to understand what good market makers should be doing and how it benefits the community.

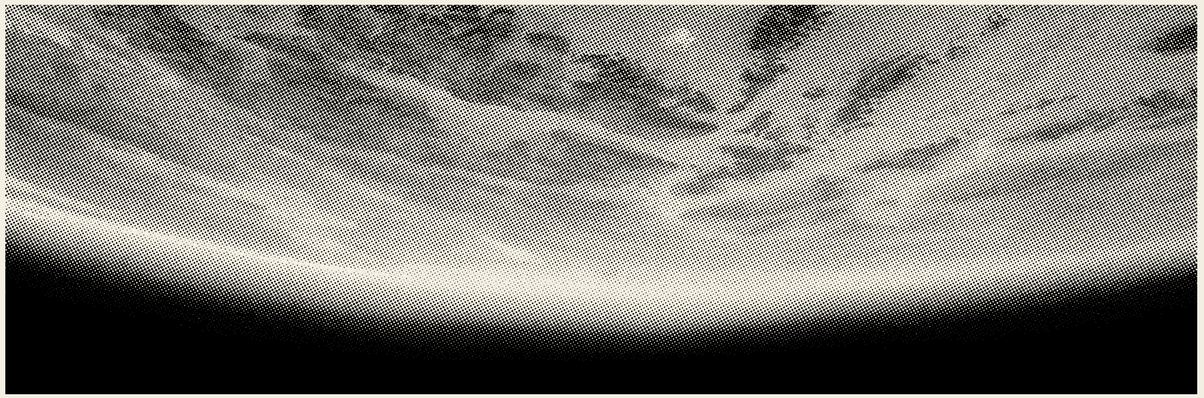
IN JUNE 2025 WE SURVEYED OVER *2,000* CRYPTO COMMUNITY MEMBERS FROM *98* COUNTRIES TO UNDERSTAND THEIR VIEWS ON CRYPTO MARKET MAKERS

Gaining community perspective was at the heart of our approach. We asked the sample how they *feel* about liquidity, what they e*xpect* as standards in transparency, and where they *believe* control really sits.

A trove of category research was audited, and qualitative interviews were conducted with a host of project founders, investors, and industry experts to challenge our assumptions and broaden our view.

We then bolstered this with our insights in tech-native crypto market making and experience in traditional finance.

A breakdown of the full sample and sources can be found in the appendix of this report.



We spoke to people in (deep breath please)**:**

Algeria, Angola, Argentina, Armenia, Australia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium, Benin, Brazil, Bulgaria, Cambodia, Canada, Chile, China, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Ethiopia, Fiji, Finland, France, Georgia, Germany, Ghana, Greece, Haiti, Hungary, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Jordan, Kazakhstan, Kenya, South Korea, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lithuania, Malaysia, Maldives, Mexico, Moldova, Monaco, Montenegro, Morocco, Myanmar, Nepal, The Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Tanzania, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Venezuela & Vietnam.

Sections

Market making remains one of the most misunderstood functions in the crypto ecosystem.

SECTION 1 — AN INTRODUCTION

Despite playing a foundational role in modern markets, perceptions of market making in crypto are often shaped by *poor experiences*, vague explanations, or practices that have prioritised opacity over clarity.

Survey data highlights this confusion:

89%

of community members believe crypto market makers affect token prices.

In reality, most market making strategies are delta neutral and designed to be indifferent to price direction. The goal is to ensure liquidity across market conditions, not to move the market.

When asked about the role of market makers, more than half of survey participants said they exist to *generate volume*, while a similar proportion correctly identified their core function as providing liquidity.

There were also mixed views on the value market makers bring. Just under half of respondents recognised their role in price stability, but only 38% believed they help exchanges function smoothly, and just 40% saw them as aligned with the goals of token projects.

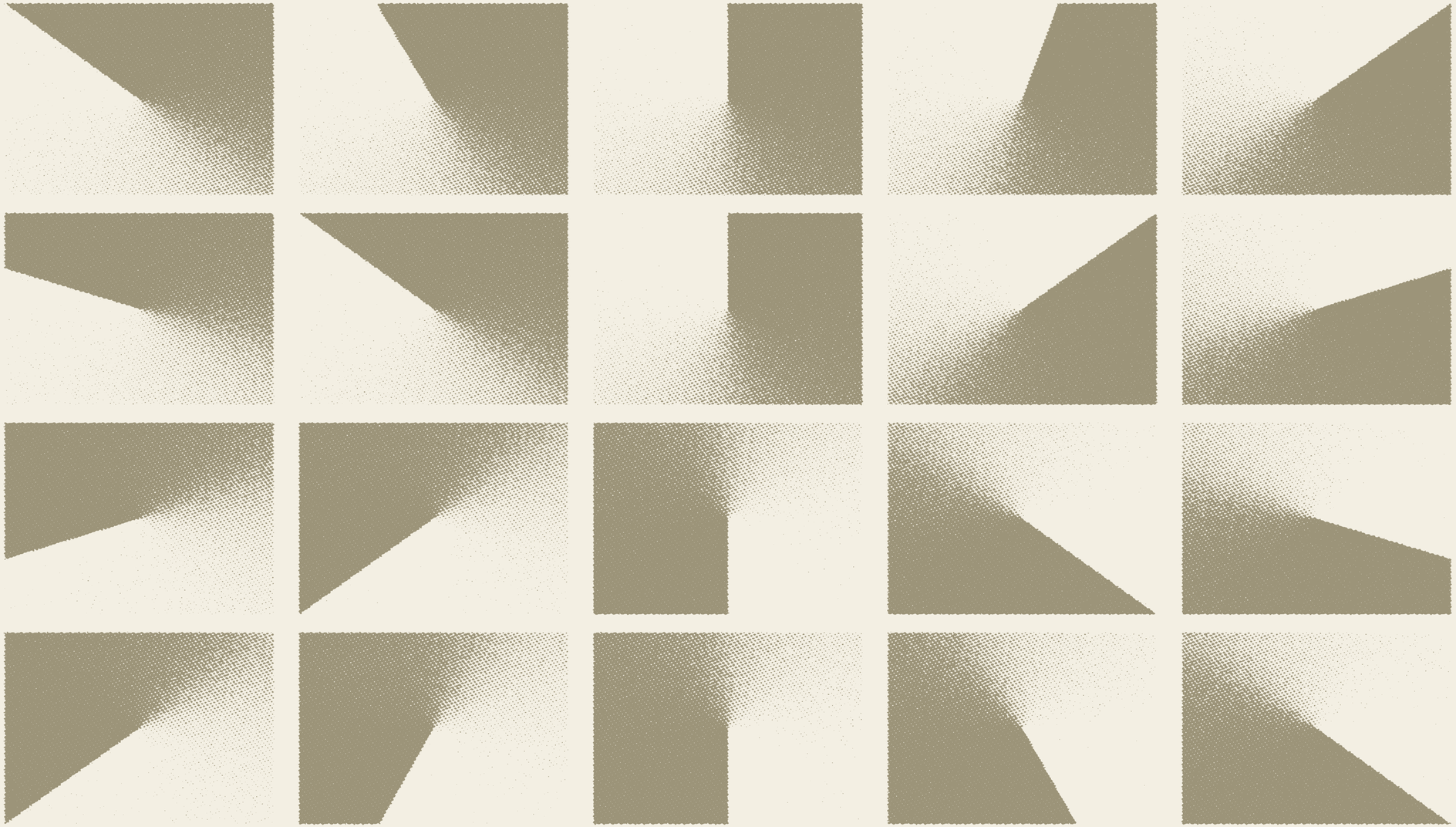
This isn't a failure of the community, it's a reflection of an industry that has too often operated without transparency or explanation.

What follows is an attempt to close that gap.

Starting from first principles, the next section explores how market making actually works, how it has evolved in crypto, and the different models that exist today.

37%

think that crypto market makers exist to coordinate **price manipulation**.



SO WHAT IS MARKET MAKING?

Market making is a foundational concept in all financial markets, and crypto is no exception. But for all its importance, it's often poorly understood and wrapped in jargon.

At its core, **market making** is the act of quoting both buy and sell prices for an asset, creating a two-sided market that others can interact with. It's not just about placing a single price to buy or sell, it's about maintaining a continuous presence in the market, offering to buy and sell, at various price points, in real time.

A market maker says:

"I'll buy 1,000 tokens at $99."

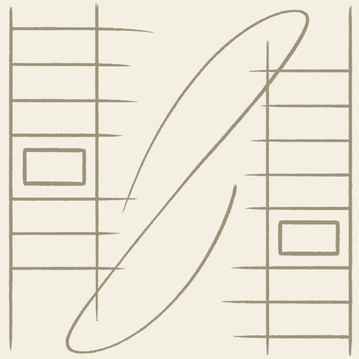
"I'll sell 1,000 tokens at $101."

That $2 gap between the buy and sell price is the **spread**, and managing that spread is an essential element of the role.

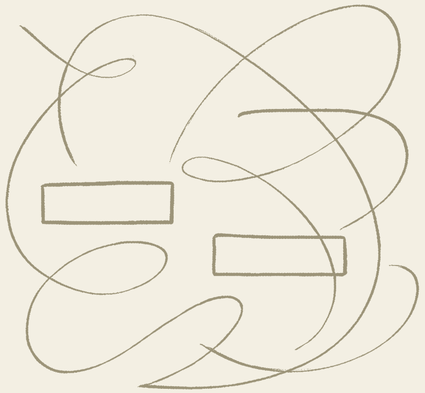
Today, most market making is done electronically by specialist firms, using software to quote prices and manage **limit orders** on **centralised exchanges** (**CEXs**).

The goal is to provide liquidity (the ability for anyone to trade the asset quickly, at a fair price, and in meaningful size) without massive price slippage or delays.

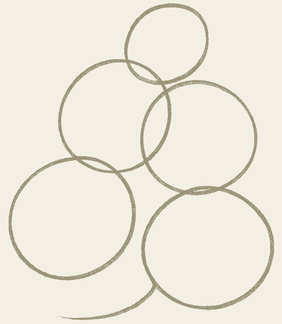
A Market Maker...



Posts **passive orders** (limit orders) on both sides of the order book



Adjusts those orders as the market shifts, ensuring availability at most times



Takes on **inventory risk**, buying from sellers and selling to buyers, even when there isn't an exact match in real time

Without Market Makers, most crypto assets would be untradeable in practice.

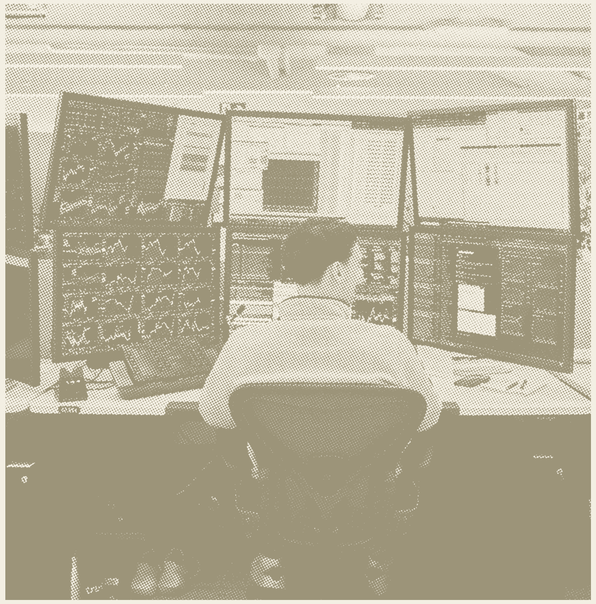
They ensure that when someone wants to trade, whether it's a $50 retail buy or a $100,000 institutional sale, there's a quote available.

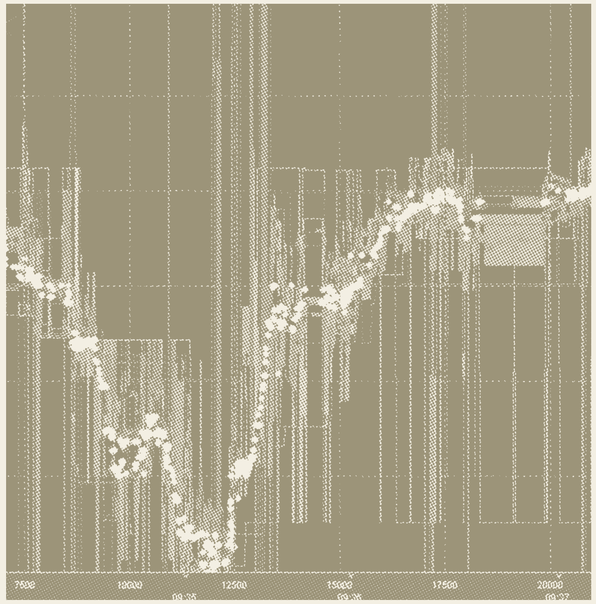
If there are no standing orders to buy or sell, then users face wide spreads, poor execution, or outright failure to fill.

Traders gather in the Amsterdam Exchange Courtyard, the world's first official stock exchange, established in the early 1600s.

Market Making: A Brief History

Historically, markets were physical places; commodity pits, stock exchange floors, or auction houses, where buyers and sellers came together. But they didn't always arrive at the same time nor agree on price. In these early markets, an obvious need emerged: *someone who would always be willing to trade*, regardless of who else showed up.





01. Where It All Began

In 17th-century Amsterdam, as shipping companies issued shares to fund voyages, an early form of market making emerged.

Market makers kept literal books of buy and sell interest, which is the origin of the term *'order book.'*

02. From Scribes to Spread Takers

Over time, they moved from record-keepers to active participants, quoting two-sided prices and taking risk in return for the spread.

That spread, buying slightly below and selling slightly above fair value, was the cost of immediacy.

03. Speed, Scale, and Specialisation

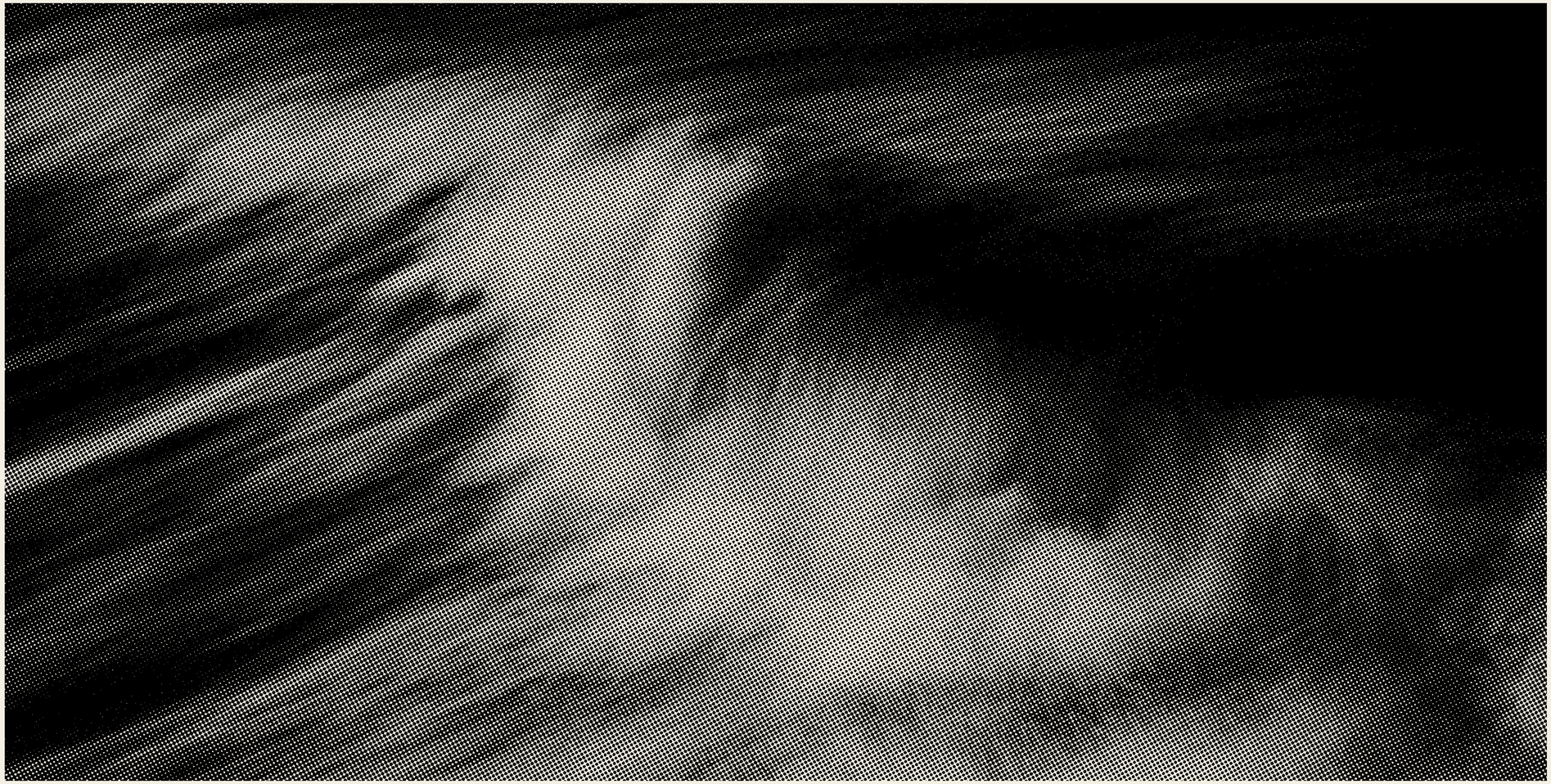
With electronic markets, things scaled fast. Today, in traditional finance, market makers are often specialised trading firms like Virtu, Citadel Securities, and XTX.

They run automated strategies, manage their own capital, and compete on speed, quoting across thousands of assets at once.

04. Why It All Matters

These firms don't work on commission (fee rebates aside). They earn the spread, and the tighter their quotes, the more flow they capture. In doing so, they enable huge volumes and keep markets efficient.

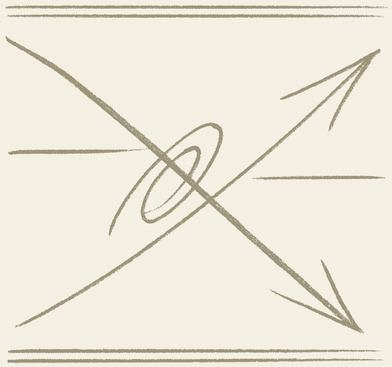
So the emergence of market makers ushered in the global and efficient markets we know today. An essential component to efficient markets is *liquidity*.



Liquidity is one of the most misused words in crypto. It's often used as a vague proxy for market health, but we're going to be more specific.

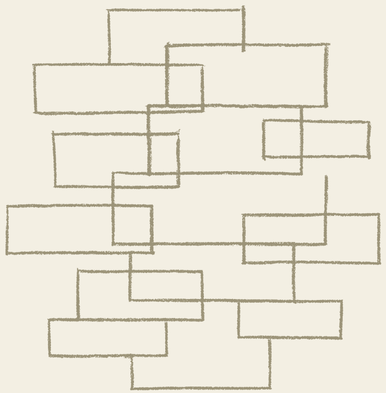
Liquidity is about how much you can trade, when you want to trade, at a price that doesn't overly punish you for doing so.

The Importance of Liquidity



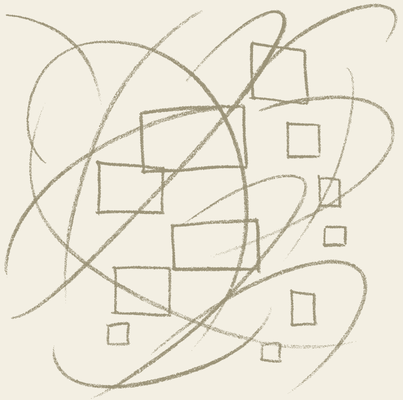
Tight Spreads

The smaller the gap between the best buy and sell prices, the cheaper it is to enter or exit a position.



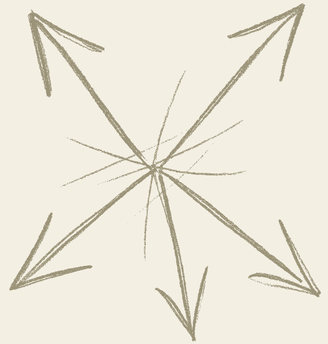
Depth

The amount of volume available at those prices. If there's only $10 worth of liquidity on each side, it's not really that useful despite the fact that it might be a tight spread.



Stability

Liquidity that disappears during volatility isn't good liquidity. It needs to persist under pressure.



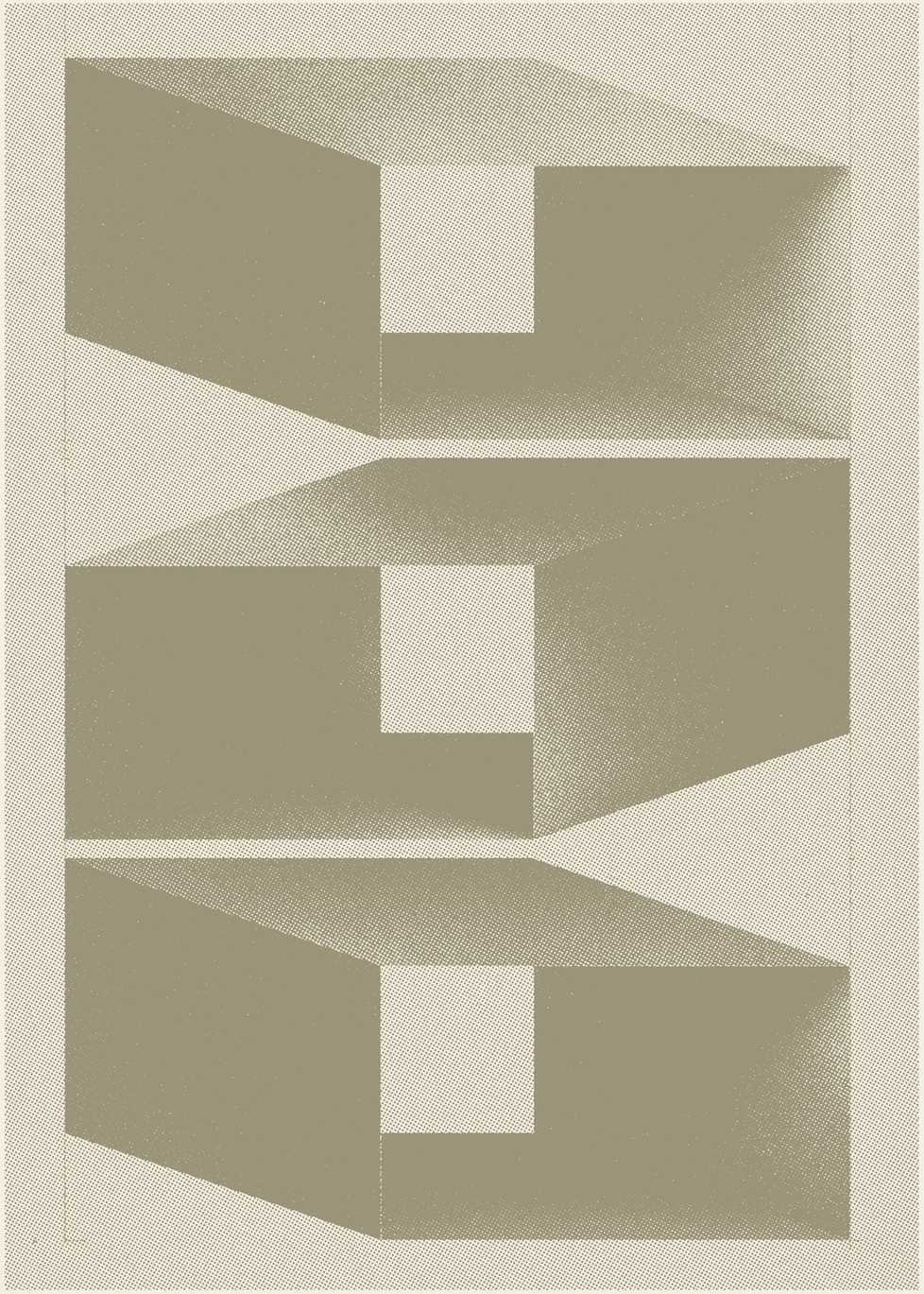
Slippage

Slippage is the hidden cost of illiquidity. If the fair price is $100, but you're forced to sell at $90 or buy at $110, that 10% gap between fair and trade prices is *slippage*. Your community pays for it through inflated costs, reduced participation, and mounting frustration.

THERE ARE A FEW KEY ELEMENTS TO LIQUIDITY

Good liquidity does more than lower slippage.

It builds confidence, reduces volatility and invites volume. Traders feel safe. Investors stick around. And exchanges look good.



WHY DOES THAT MATTER?

Exchanges want functioning markets, not just listed assets. They care about tight spreads and deep books.

Market makers make that possible, quoting across levels, smoothing out volatility, and absorbing flow when things get busy.

Particularly during crypto listings, unlocks, or airdrops, they help the community engage without market distortions and inefficiency.

Consistency is the real test. Real market quality is about showing up every day, especially when volume dips or volatility spikes. The true cost of poor liquidity isn't just slippage, it's reputational damage.

If users see erratic pricing, empty books, or huge swings from venue to venue, they lose trust in the asset traded. That narrative is hard to recover from.

34%

of crypto community members say they've **lost money** holding tokens in projects that publicly work with crypto market makers.

52%

of people surveyed said they **don't trust** crypto market makers.

The State of Trust

Before diving into crypto market making, it's important to address trust. Community research reveals that crypto market making has a lot to answer for in this regard.

The upshot? A strong push toward transparency and self-regulation, exemplified by the recent CMIC Market Making for Digital Assets Industry Standard, and a growing culture of calling out bad actors.

Reputable firms are becoming more upfront about KPIs, strategies, and risk controls. Contracts increasingly include enforceable performance terms and regular reporting.

So, how is this playing out with the crypto community?

67% think that market makers being more **transparent** would help them trust them more.

It's clear that more needs to be done to overcome the dents in trust caused by poor practice.

One in ten now say they would never trust a crypto market maker, and fewer than one in five believe regulation would be effective.

However, over two-thirds of the crypto community say that greater transparency around activity and fees would improve their trust in crypto market makers, a signal that the *appetite for reform* is real.

The Mechanics of Crypto Market Making

SECTION 2 ——

While often viewed as a black box, crypto market making is grounded in specific systems, processes, and deal mechanics that are rarely visible from the outside.

Much of the infrastructure that supports liquidity, from how market makers are engaged, to how their systems operate, to how incentives are structured, remains *opaque* to many founders and teams.

This section opens up that process. It explores how crypto market makers operate in practice: the capital and technology required, the types of services they offer, the ways they make money, and how relationships with token projects are typically structured.

From foundational mechanics to live market execution, this is a look under the hood at how liquidity is actually maintained in digital asset markets.

Proprietary Market Making

vs.

Market Making for Tokens

Let's begin with proprietary market making, where a firm trades its own capital.

Here, orders are usually placed away from the perceived **fair value** of the asset.

If you believe the fair price of a token is $100, you might be willing to buy it at $99 and sell it at $101. If someone buys from you at $101 and another sells to you at $99, you ideally earn the full $2 spread.

In reality, this perfect symmetry rarely happens. You might sell at $101 and then only be able to buy at $100.

In that case, the market maker still earns $1, a profit generated by **passive liquidity provision**.

When a token project hires a market maker, the mechanics remain the same.

The market maker populates the order book with actionable buy and sell prices. But instead of relying purely on spread capture, they're also remunerated by the project to ensure this liquidity is always present, in specified size, and usually within a defined **depth**. These performance requirements are often formalised as **KPIs (Key Performance Indicators)** in a contractual agreement.

A modern market maker who's engaged by a token project must:

- Maintain 24/7 presence in order books across multiple exchanges
- Hit KPIs for uptime, spread tightness, and aggregate order size
- Actively manage **inventory** as orders are filled
- Adapt to changes in market volatility, liquidity, and price movement

To even begin doing this, a market maker must have two things: **capital** and **technology**.

To place **buy orders**, you need some of the quote asset, usually fiat or a stablecoin. These funds need to be in an account on the exchange or venue. To place **sell orders**, you need inventory of the token.

This is why most market making agreements involve a token loan, or some other transfer of tokens from the project to the market maker.

Capital

Modern market makers gain their competitive edge through infrastructure

This includes:

Pricing Models: Internal systems that ingest real-time data from venues (and other sources) to calculate what the fair value of a token should be.

Order Management Systems (OMS): Algorithms that decide where and how to place orders based on pricing, inventory, risk tolerance, and venue rules.

Risk Management: Constant monitoring of filled orders and open positions to rebalance exposure, within agreed limits that might be internal to the market making firm, from the client or venue.

Low Latency Infrastructure: Code written in high-performance languages like Rust or C++, connected via protocols like WebSocket, REST, or FIX, and optimised for speed.

If a crypto market maker's system is too slow to update quotes, faster market participants may take advantage and *"pick off"* stale orders. This means reacting quickly to order fills, price moves, or cross-venue arbitrage opportunities is essential.

Technology

From a project's perspective, this infrastructure is largely invisible.

In certain setups, reporting is limited to weekly summaries. More advanced providers offer real-time dashboards, enabling token teams to monitor spreads, order book depth, venue coverage, KPI adherence, and execution quality on an ongoing basis. This level of transparency is considered essential for effective oversight.

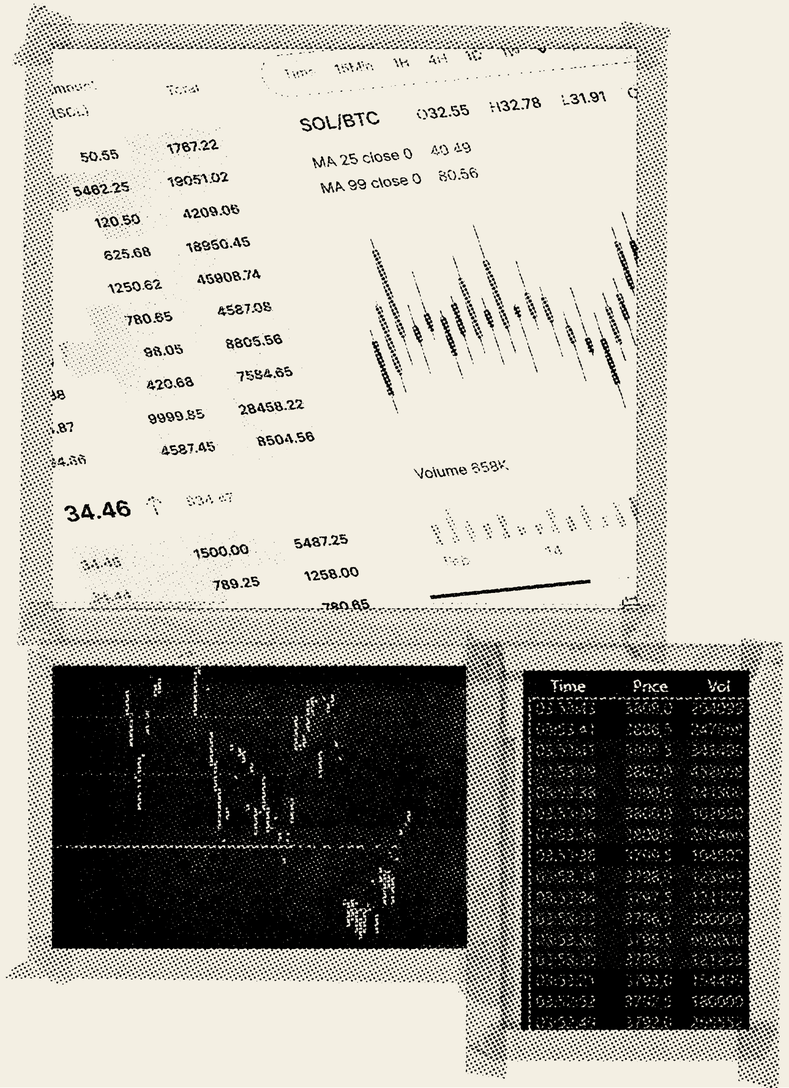
In summary, market making is no longer just a trading strategy, it's an infrastructure business.

Doing it well requires capital, technical sophistication, and 24/7 operational excellence. The outcomes may look simple: stable books, tight spreads, deep liquidity - but the machinery behind those results is anything but.

THE TYPES OF MARKET MAKING SERVICES

The previous sections outlined the fundamentals of market making and its role within crypto markets. It's also important to understand that "market making" isn't one monolithic service, as most trading firms in crypto don't stop there.

Let's break down the main types of **trading-related** services you'll come across, starting with the core market making offerings and then stepping into the broader execution and financing services that firms have more recently grown into.



01.

Market Making on Centralised Exchanges. (CEX)

This is the traditional form of market making, and it's what most people are referring to when they use the term.

These market makers operate on a **centralised order book**, quoting two-sided prices using either their own capital or the token projects.

Buyers and sellers are then matched via the exchange matching engine logic, and the order book state is maintained off-chain.

- Executed on venues like Binance, OKX, and Coinbase.
- The exchange manages the matching engine and usually acts as asset custodian; to access order books you have to maintain an account at the exchange.
- The market maker places **limit orders** to ensure liquidity is always present.
- This service is typically governed by either a retainer or option + loan agreement.
- The firm handles all risk management, inventory balancing, and spread control.

For token teams, this kind of arrangement is often the starting point when listing on a CEX; not just to get approval from the exchange, but to ensure that their token is tradeable and doesn't suffer from wide spreads or high slippage at launch.

02.

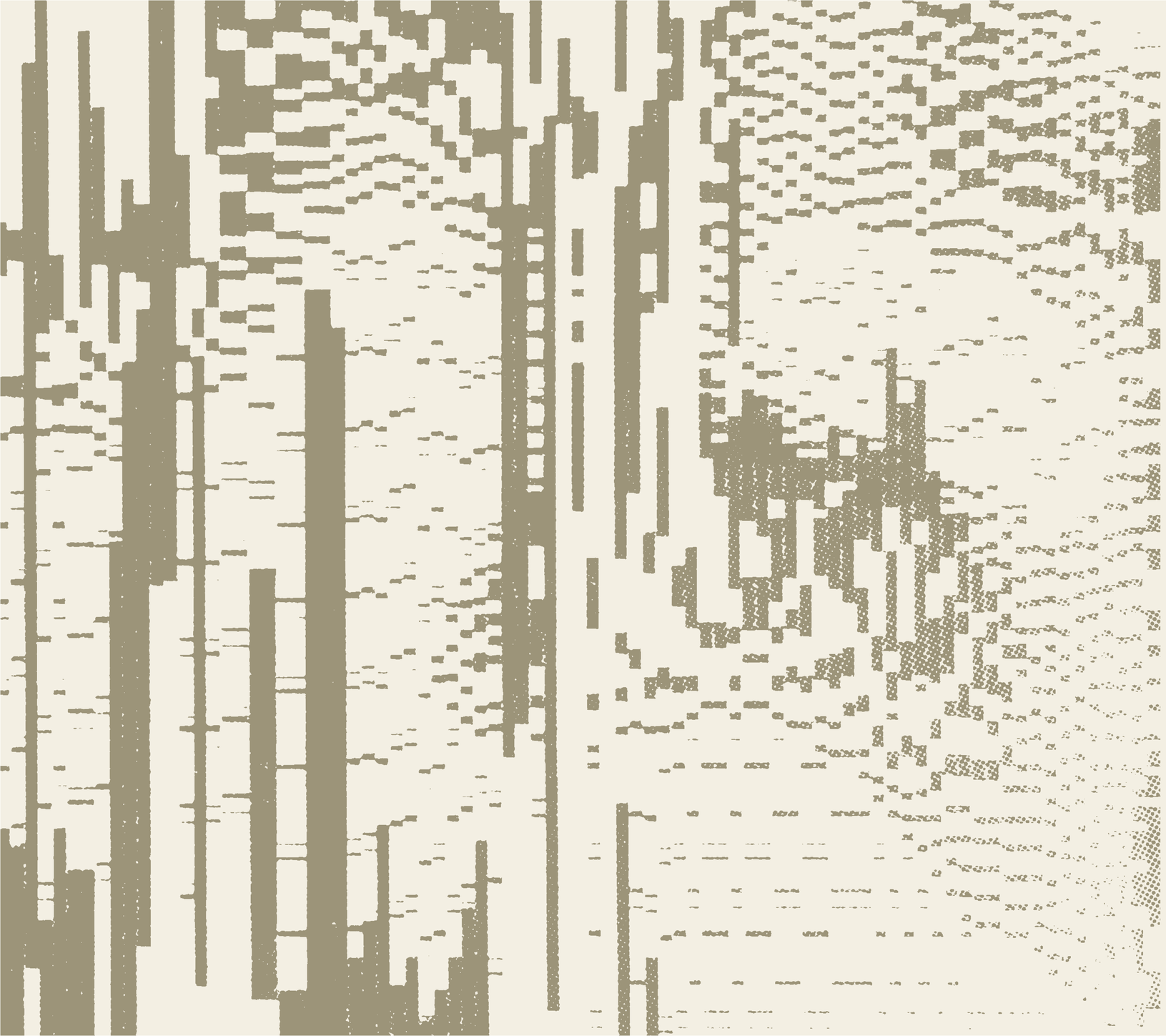
Pool Management in DeFi (AMMs)

Instead of managing an order book, decentralised exchanges (DEXs) like "Uniswap" use automated market maker (AMM) protocols.

Here, token liquidity is held in pools, and the pricing curve determines how swaps occur.

- Anyone can contribute assets to a **liquidity pool** (e.g. Uniswap v3 or v4). Token projects often seed pools with their own assets for the benefit of their community and to encourage early trading of new tokens.
- Advanced AMMs use concentrated **tick ranges**, which look to encourage deeper liquidity around the current token price.
- A trading firm can provide **pool management** services, ensure a token's assets stay within the correct concentrated tick range.
- Without this, token teams must manually rebalance, which is an error-prone and time-intensive task.
- This is especially valuable in concentrated liquidity AMMs like "Uniswap" v3, where idle liquidity outside the range earns no fees.

Pool management isn't technically "market making" in the traditional sense, but it serves the same function: keeping your token liquid and tradeable.



03.

Decentralised Limit Order Books (DLOBs)

This emerging category blends the transparency of DeFi with the structure of traditional trading. DLOBs replicate the central order book model but run (almost) entirely on-chain.

Orders are visible to everyone, matching engines are decentralised, and the infrastructure lives on fast blockchains or Layer 2s.

- Operate like CEXs but settle trades **on-chain.**
- Matching logic, pricing, and execution all occur in public.
- Market makers interact just as they would on a CEX, but their activity is fully auditable.
- Increasingly popular with DeFi-native projects and protocols operating on high-throughput blockchains.

These are not a replacement for AMMs or CEXs, but a third path where transparency meets execution structure.

ADDITIONAL SERVICES

Market making is the foundation of trading support, but firms often provide additional services as part of their broader relationship with a token project.

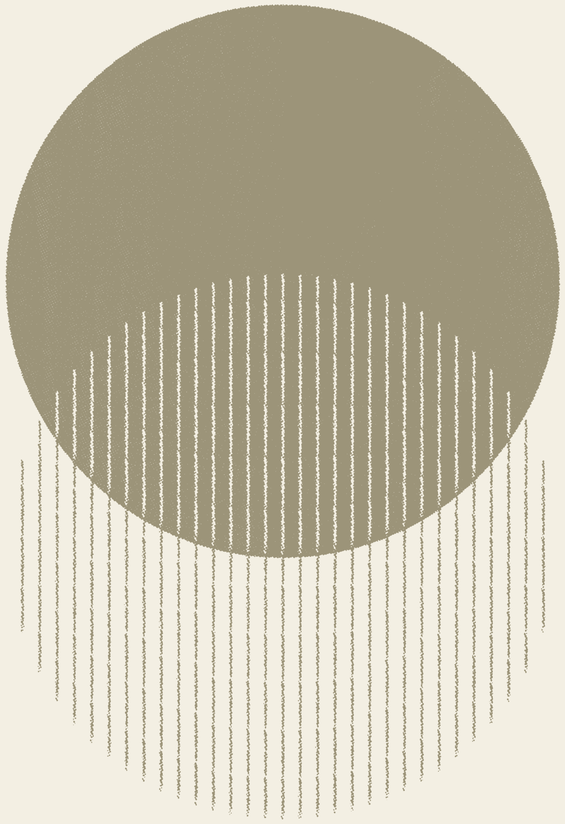
04.

Agency Execution

This is not market making, it's trading execution on your behalf. Think of it like outsourcing your trading desk.

- The token team gives an order:
  e.g. *"Sell $250k of XYZ token".*
- The firm executes the trade across one or more venues.
- The firm does not take **principal risk**, it's a pure execution role.
- Often charged on a commission or flat-fee basis.

This is especially useful for treasury operations, or investor redemptions where discretion and slippage control matter.



05.

OTC Trading (Over-the-Counter)

This is the more direct version of execution. Here, a client isn't asking for an order to be managed, they're asking for a price to trade against, right now.

- Example: *"Give me a two-way price for 1M XYZ tokens".* You trade directly against the market maker.
- Trade is immediate, firm-to-firm, and off-exchange.
- No routing, no fragmentation, no price exposure for the client.

OTC is often used for strategic allocations, unlock management, or bridging capital in pre-listing periods.

Expanding Beyond Liquidity

Many trading firms are also expanding horizontally into areas that support token teams more holistically.

Treasury management Helping projects handle treasury diversification, stablecoin conversion, and liquidity provisioning.

TGE (Token Generation Event) Advisory: Structuring and executing token launches, including pricing, timing, and venue engagement.

Venture investment Some firms invest directly into early-stage projects, creating alignment while locking in liquidity partnerships.

These services reflect the shift from trading firms being reactive liquidity providers to becoming *strategic infrastructure partners* for token ecosystems.

How do Crypto Market Makers Make Money?

Research indicates that many in the crypto community still lack a clear understanding of crypto market makers' incentives, with uncertainty, scepticism, and misconceptions remaining widespread.

Despite 69% of crypto community members claiming to understand how crypto market makers generate revenue, fewer than 48% identified legitimate methods when prompted. Among those who stated they knew how market makers make money, the answers revealed significant misconceptions.

This confusion likely contributes to the widespread desire among community members to see crypto market makers held publicly accountable for their conduct.

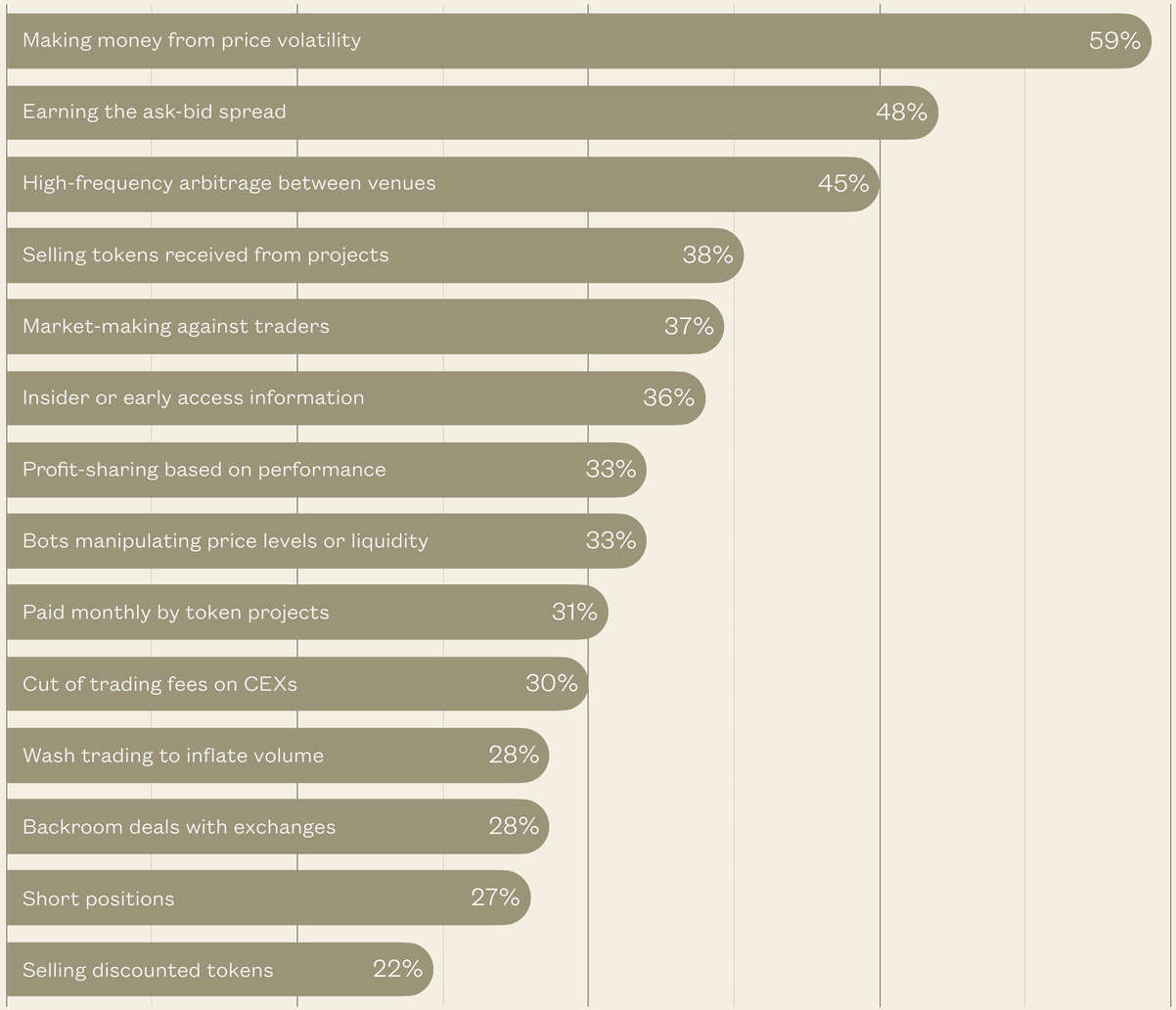
It's a strong indictment, one that points to the need for greater transparency and clearer communication, but the responsibility does not lie solely with market makers.

Outside of founders with financial expertise or a long-term mindset for project sustainability, many still misunderstand the function and purpose of market makers.

According to several venture capital firms interviewed, it is not uncommon for token project teams to approach market makers expecting them to *increase token prices*, highlighting a broader belief that market makers profit primarily from token price direction or volatility.

The following section examines deal structures in more detail, identifying how these misconceptions take root, and where they tend to surface.

"HOW DO YOU THINK CRYPTO MARKET MAKERS MAKE MONEY?"

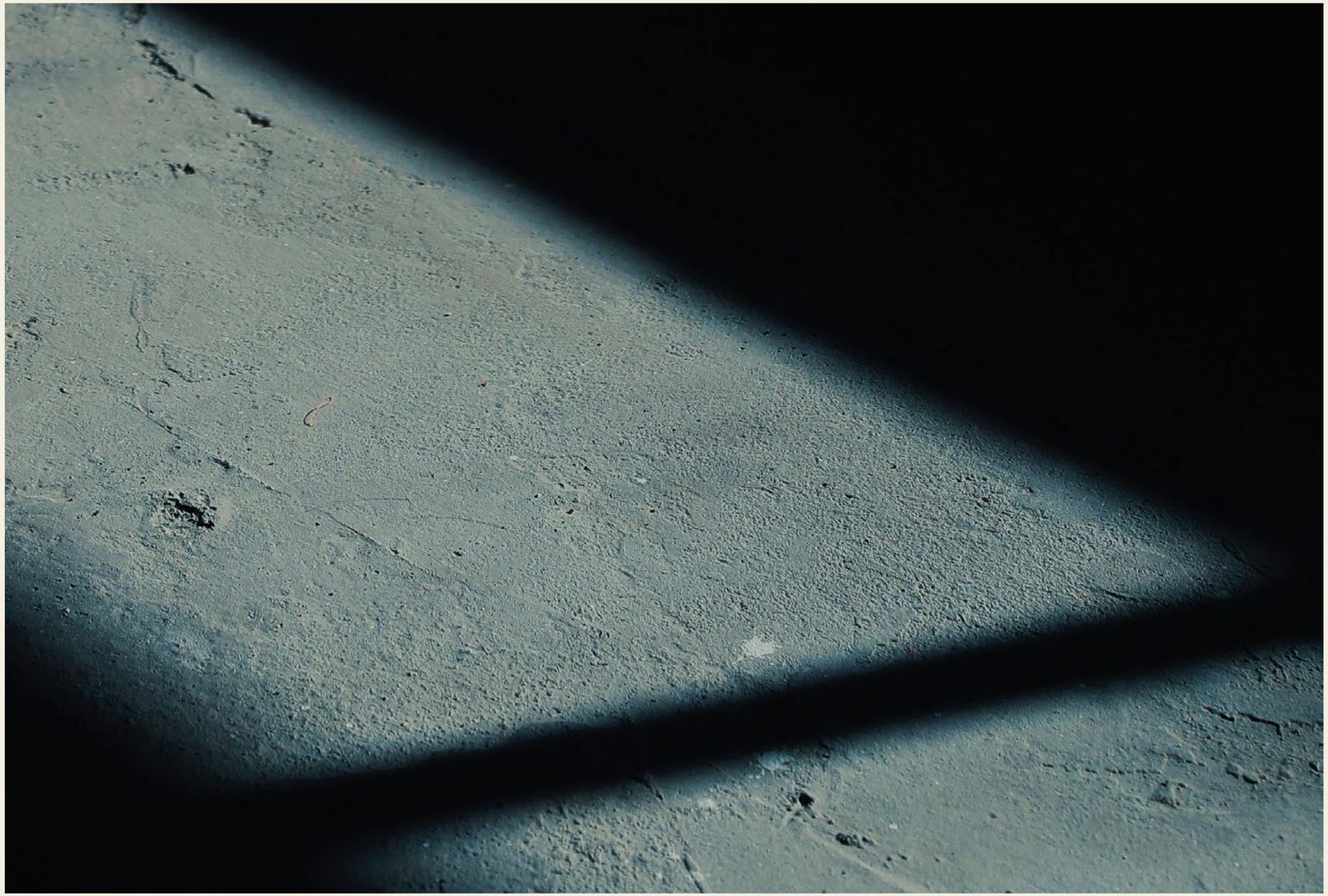


How do crypto market making relationships actually take shape? How do token projects engage with a trading firm in a way that sets expectations, aligns incentives, and ensures performance?

This section covers the most common deal structures used in centralised market making today. These structures form the contractual foundation of any liquidity partnership, and getting them right is critical.

Note: This section focuses exclusively on centralised market making arrangements. While decentralised services like AMM pool management do exist, they're typically governed by basic service agreements. These are automation-first engagements with limited trading risk, and they don't involve the same level of financial commitment or contractual complexity as their centralised counterparts.

Deal Structures



RETAINER VS. OPTION + LOAN

Each model comes with different cost mechanics, incentive levers, and flexibility. At first glance, it might seem like just a matter of how the market maker is paid. But in reality, the structure you choose shapes everything; from how the market maker will trade your token, to how easy it is to exit if their performance slips. Before diving into the differences, its useful to highlight some elements that are common across both deal structures.

Commonality 1: Why a Token Loan Is Required in Both

Before diving into the two models, let's clear up a common misconception: *token loans are not exclusive to option-based deals.* Almost all centralised market making agreements require the project to loan tokens to the market maker (or at least fund tokens into an account that the market maker can access and trade from).

Why? Because for the market maker to post *sell-side liquidity* on an exchange, they need access to the tokens themselves. Most centralised exchanges do not allow margin shorting of spot assets without collateral. In short, a market maker can't fulfill their role without access to the token.

So even if you opt for a retainer model *(a flat monthly payment for the market making service)*, giving the market maker tokens to trade is still necessary for practical execution. Think of it as a necessity, to allow the market maker to deliver the service you're paying for.

Commonality 2: Defined KPIs

The commitment of the market maker to provide good quality liquidity into a token's order books hinges on setting well-defined Key Performance Indicators, or KPIs, in the deal agreement.

These usually focus on how much passive order volume is going to be placed into the order book and at what level(s) away from mid, they might also include minimum spread commitments.

These main KPIs are normally bound together with an 'uptime' metric, which says how often (across, say, a 24 hour period) the market maker needs to be hitting these KPIs.

This structure has long been the default model for crypto market making.

In an Option + Loan agreement, the token project loans a specified number of tokens to the market maker. The market maker receives the right to buy some or all of those tokens at a set price in the future.

That right is a call option, a financial derivative that can become more valuable if the token price rises.

OPTION + LOAN

Key Components of an Option-Based Deal

Strike Price: The fixed price at which the market maker can buy the tokens. Usually calculated using an average of some observed token prices near the beginning of the deal (e.g., 30-day trailing average) to avoid manipulation.

Tranches: Larger loans may be split into multiple tranches, each with separate strike prices and timelines.

Asianing: The use of average pricing to determine the strike, rather than a fixed date snapshot. This protects both parties from one or two large price swings setting the strike price of the call option.

Exercise Schedule: Rights to exercise the option may unlock gradually over months or years.

Why Market Makers Like This Model

The option embedded in the deal is how the market maker receives something of value in these deals *(as previously mentioned, the loan isn't a payment for the service; it's operational necessity)*. The option has real dollar value, and it's this value that compensates the maker for providing the market making service.

Token Options as Payment

Many projects opt for this model because they see it as a way to fund a market making service without paying cash. It has been the dominant model for a while, and so has the air of *"market standard"*.

But make no mistake, the option has real economic, dollar value, and that value is what a token project gives up.

Why This Structure Can Be Risky

Complexity: Structuring, valuing, and negotiating these deals requires financial expertise. Mispricing the option can mean giving away outsized value.

Alignment Illusion: Market Makers will claim they're *"aligned"* with your success because they benefit through the option if the token price rises. But in reality, most market makers will hedge some or all of their option exposure, selling some of the loaned tokens upfront to reduce risk, which can have an adverse effect on token price.

Exit Difficulty: These are often long-term contracts *(1–4 years)* with no clean way out. You've effectively issued a bespoke OTC derivative, and exiting early can be costly or impossible.

Why This Structure Can Be Good

Token Rich: Early stage projects often have access to, and control over, a lot of their tokens, but might not have access to much fiat or stable coins.

Given there is no upfront or ongoing fiat or stablecoin payments in this model, it can be seen as a cheap way of engaging with a crypto market maker.

The retainer model is straightforward, and increasingly popular for early-stage projects or those who prefer predictable costs and greater transparency around trading behaviour.

The project pays a monthly fee to the market maker, typically in fiat or stablecoin.

Token is still passed to the market maker, either through a loan or into a custody account, for execution purposes. There is no option. The market maker earns revenue through a monthly service fee.

RETAINER

Key Components of an Retainer Deal

Fixed Monthly Fee: The token project pays a fixed monthly amount to the market maker for liquidity provision. This fee is typically quoted in USD *(or equivalent stablecoin)* and is not tied to trading volumes, performance, or price.

Token Loan (Without Optionality): This structure does not include a call option or grant the right to buy tokens at a fixed price.

Flexible Terms: Retainer agreements can range from short-term (3–6 months) to longer commitments (12+ months), with clear exit paths.

Neutral Incentives: The market maker has no speculative upside from token price movements. Incentives are focused on service delivery and liquidity stability.

Adding Profit-Sharing

Most retainer agreements also include a profit-sharing mechanism. If the market maker earns P&L through efficient quoting and good execution, they keep a portion.

This aligns incentives in terms of judicious management of the loan assets without relying on complex option structures.

It prevents market makers from aggressively burning through the token loan (e.g. quoting too tight spreads in too much size to *'look good'*), since their profit is now tied to effective risk management, not just notional performance.

Why This Structure Can Be Risky

Inventory Requests: If the market maker you engage with is unsophisticated, or only engaged to trade on a single venue, then large price moves can cause them to deplete their token inventory, resulting in requests to top up the loan.

Potential Losses: If operating under a profit share, it is possible the market maker will return less of your token and/or stables than you originally lent.

Why This Structure Can Be Good

Clarity: You know exactly what you're paying.

Clean Exit: You can usually terminate with notice, recall the loan, and walk away.

Transparency: Retainer deals often include performance reporting, such as real-time dashboards, KPIs, and SLAs.

Incentive Alignment: The market maker is paid for providing a service that hits KPIs. The quality of this service determines whether the token project is happy with the market maker, nothing else.

Structuring KPIs

Regardless of fee structure, clearly defined KPIs are essential to any agreement.

They set measurable benchmarks and ensure market makers remain accountable.

Typical KPIs include:

Depth of Liquidity: e.g. $100,000 of total orders within 1% of mid-price.

Minimum Spread: To ensure tightest bid and ask orders are placed at some minimum width.

Uptime: e.g. KPIs must be maintained during 95% of all trading hours

KPIs should be tracked via automated dashboards and tied to exit clauses for underperformance.

Exit Flexibility

Your ability to exit an agreement is a key differentiator between option + loan and retainer models.

Option + Loan deals are hard to unwind. You've embedded a financial instrument into the contract. Even if performance drops, you may be stuck, or forced to leave the *option value* behind if you terminate.

Retainer deals are much easier to exit. You give notice, settle any P&L, and recall your loan.

For projects considering option-based deals, it is strongly advised not to enter multi-year agreements *without clearly defined early exit rights*. Wherever possible, the term should be limited to 6–12 months.

Deal Structure Comparison

	OPTION + LOAN	RETAINER
PAYMENT MECHANISM	Token option *(right to buy)*	Monthly fee *(+ profit share)*
TOKEN LOAN	Yes	Yes
INCLUDES OPTION?	Yes	No
EXIT FLEXIBILITY	Low	High
USE CASE	Long-term, larger-scale projects	Early-stage, fee-based projects

In both models, clarity and alignment are critical. The deal structure determines not only payment terms, but also market maker behaviour, performance monitoring, and available remedies in the event of underperformance.

The following section outlines how effective market making can justify these costs, and where real ROI is delivered.

The Good and the Bad of Crypto Market Making.

SECTION 3 —

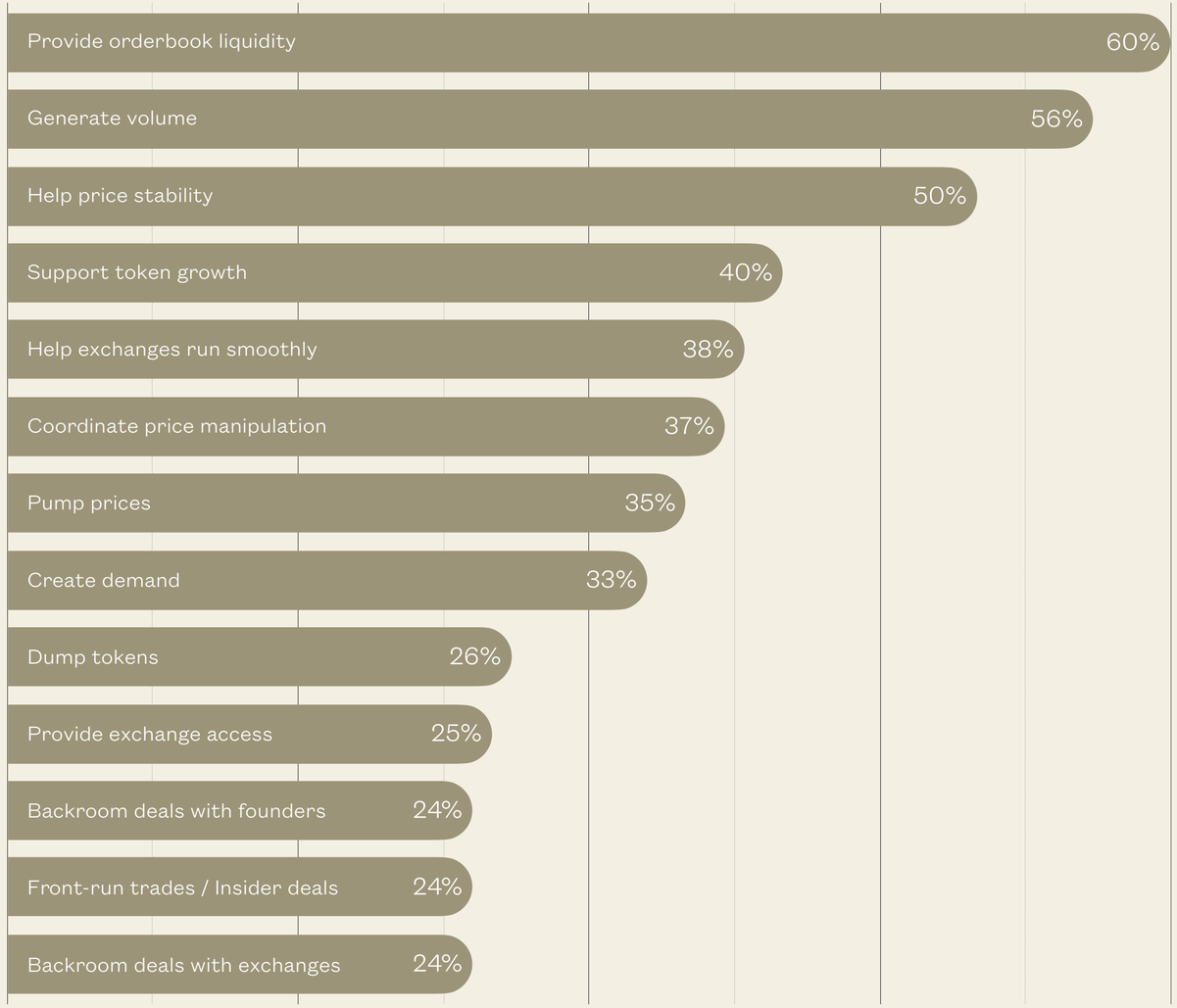
Market making is essential to well functioning token markets, but not all market making is equal.

The difference between a well-structured liquidity partnership and a damaging one often comes down to execution, incentives, and accountability.

This section outlines the *benefits* of effective market making, before turning to the practices and behaviours that lead to poor outcomes. It explores common red flags, the structural risks behind token dumping and manipulation, and the *hidden costs* of working with the wrong partner.

Community research indicates that, with the exception of providing order book liquidity, half of respondents or fewer feel confident in understanding the beneficial functions market makers provide.

"WHAT DO YOU THINK CRYPTO MARKET MAKERS DO?"



THE LISTING MOMENT

Often, when a token first lists, there is no established price.

The first moments after launch can influence how the asset is perceived for weeks, sometimes months.

Volatility is high, emotions run hotter, and the order book can be overwhelmed by mismatched flows:

Early investors trying to exit allocations.

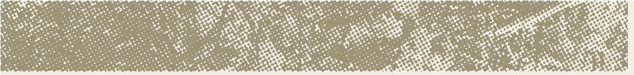
Community buyers rushing in after missing private sales.

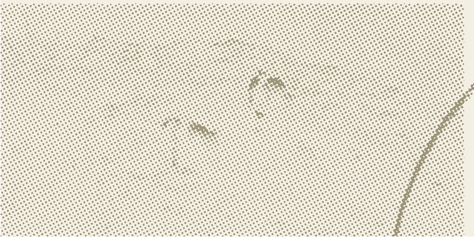
Exchanges watching closely to ensure the book looks clean and active.

The market maker's job is to stabilise this environment.

Many exchanges will ask you who your market maker is, because empty or dysfunctional order books reflect poorly on their platform. No exchange wants a new listing that shows a 20% spread and no volume. They want a functioning market from the start.

A market maker helps deliver that. And often, they help upstream too, advising on launch pricing, prepping infrastructure, and making sure that the listing happens smoothly across APIs and venues.





The Role of a Market Maker in Token Listings

During the listing process, the market maker's role is threefold...

Pre-Listing Coordination: They work with the project and exchange to help establish a sensible listing price and ensure that the required infrastructure is ready; this includes having balances on exchange, pricing models calibrated, and KPIs agreed.

Day-One Liquidity: They post live buy and sell orders across a range of prices and sizes to ensure anyone arriving to trade the token can do so without friction. This includes managing intense initial flow, such as unlock-related selling or community demand.

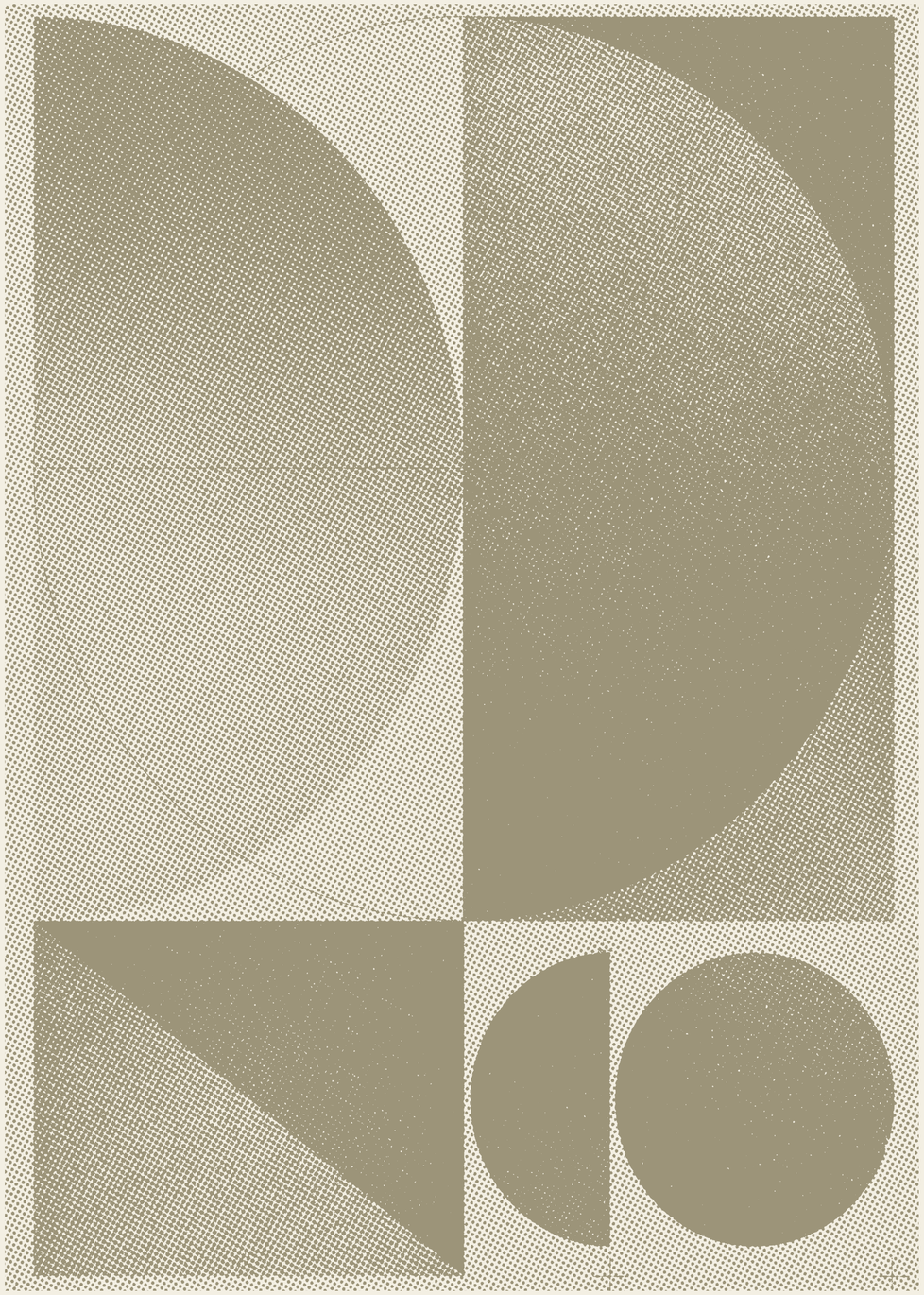
Price Discovery Support: They enable the market to find a fair value by maintaining orderly books, allowing natural supply and demand to play out without disruption from gaps in liquidity.

All of this requires speed, automation, and deep infrastructure, adjusting orders millisecond-by-millisecond as new data comes in.

Despite its importance here, much of the value of crypto market making is realised in the weeks and months after launch. Once the hype dies down, what your project needs is stability, visibility, and consistency.

Strategic Value and Long-Term Partnership

Beyond order books and spreads, a good market maker can also offer strategic value. They can advise on venue strategy, connect you to exchange decision-makers, and help prepare for future listings.



Most market makers are already deeply plugged into the infrastructure of crypto trading, so they can open doors that might otherwise take months to unlock.

This is one of the most underappreciated benefits of good market making; *it's about relationship building*. When your market maker is your trading partner, your venue negotiator, and your real-time market analyst, the whole project operates more smoothly.

A market maker isn't a guarantee of success. But in an ecosystem that rewards order, transparency, and responsiveness, they are one of the few partners who can materially shape how your token is perceived and how well it trades.

However, poor market making can quickly erode trust, damage token performance, and negate the benefits of even the strongest launch.

Choosing the wrong partner or deal structure *carries real risk*.

WHAT DOES BAD LOOK LIKE?

Not all market makers operate with integrity, and many token founders have come to view this as an expected reality.

Not all market makers operate with integrity, and many token founders have come to view this as an expected reality.

Market making is a core market function, not a speculative pursuit. In principle, a lack of headlines should signal steady, effective service.

In practice, that is rarely the case.

Over 70% of the crypto community say the press they see about crypto market makers is not neutral, with more reporting perceived as negative than positive.

Awareness of misconduct has grown, and many now assume questionable behaviour is simply part of how market making works.

While many of these risks can be addressed during the contracting phase, safeguards have limits.

Identifying risk early remains essential.

"Literally no amount of *legal documentation protection* is helpful if someone wants to *straight up do crime*"

— YK PEK
CEO, GVRN

"Bad" tends to take predictable forms, at times under different names.

Here's What to Look Out For

TOKEN DUMPING VIA LOAN MODELS

Market makers take token loans and immediately sell into the market, collapsing price and damaging early momentum. Most often tied to poorly designed loan-and-option structures.

WASH TRADING

Artificially inflating volume by trading with themselves to simulate market activity.
Often described as *"volume generation."*

***Also known as:** volume boosting, volume guarantees*

PRICE MANIPULATION

Attempts to hold price levels, walk prices up, or create directional moves around events. Any guarantees around price targets or growth are serious red flags.

***Also known as:** target price management*

VOLATILITY ENGINEERING

When holding call options or similar exposure, a market maker may induce volatility by pulling liquidity to improve their position.

BRIBES & KICKBACKS

Undisclosed incentives to internal teams or business development reps in exchange for selecting specific market makers. Undermines integrity of partnerships.

UNDISCLOSED CONFLICTS OF INTEREST

Self-dealing, trading against the token, or allocating capital to competing assets without disclosure. Full transparency is critical.

FRONT-RUNNING ANNOUNCEMENTS

Trading ahead of listings, unlocks, or other events using insider knowledge. Distorts price discovery and damages long-term trust in the project.

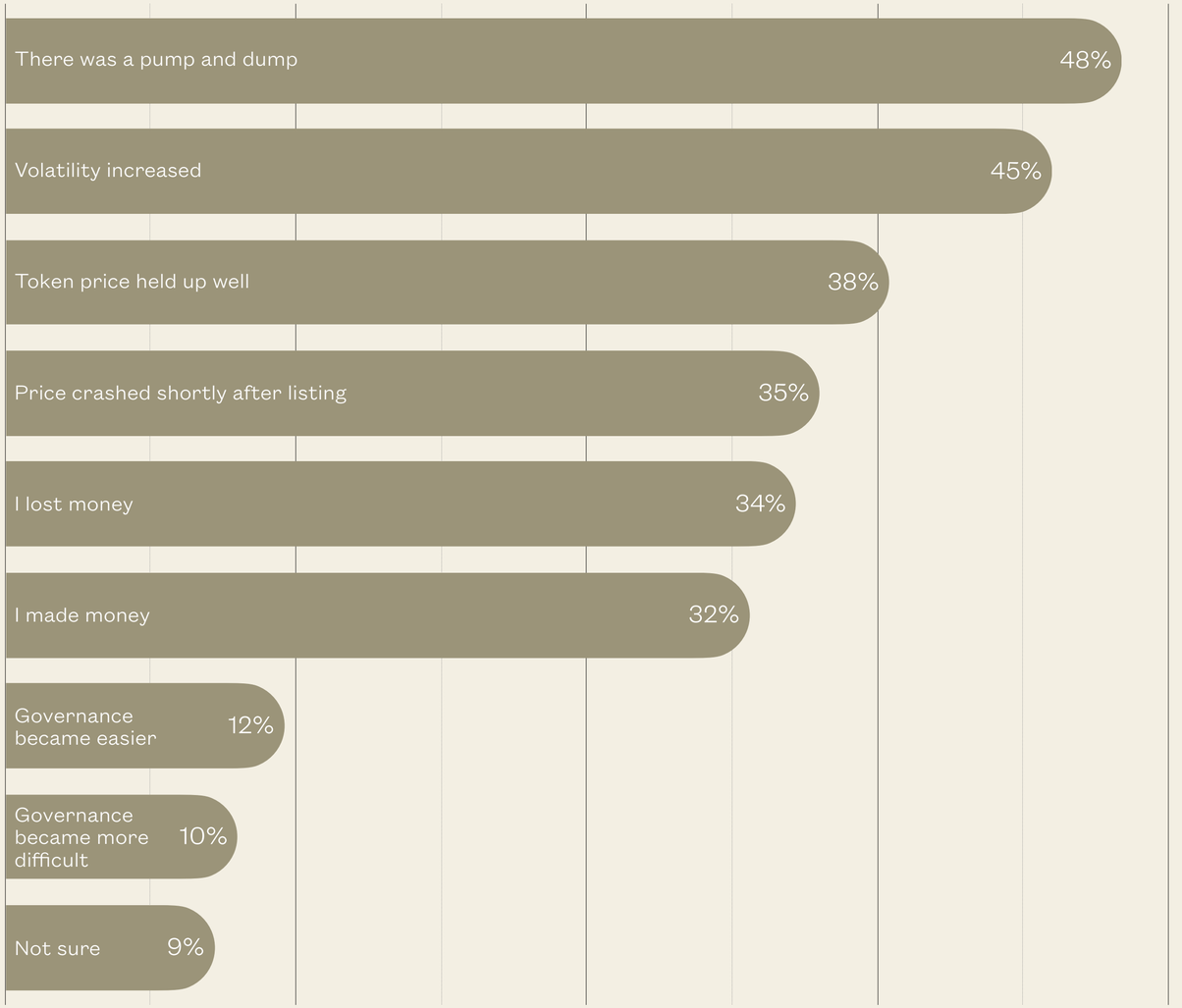
So What Happens If You Choose the Wrong Partner?

Poor execution, reputational damage, delistings, or regulatory scrutiny.

The dangers aren't always obvious at the outset, because many bad actors in this space have slick pitch decks, sales reps at every conference, and partnerships that make them seem credible.

But beneath the surface, the incentives they operate under, and the behaviours those incentives encourage, can be fundamentally misaligned with the long-term goals of projects.

"Perceived Outcome of Tokens Held in Projects That Used Market Makers"



The Risk Spectrum

At the lighter end of the risk spectrum, you may end up working with a firm that simply doesn't deliver on what was agreed.

They stop quoting consistently, or go AWOL during volatile periods.

They miss Key Performance Indicators (KPIs) like spread width or uptime, without explanation or accountability.

They provide little to no reporting, leaving you unsure whether they're active in your books at all.

You find out what's happening the same way your community does... *by checking CoinGecko.*

When this happens, the consequences are immediate and compounding:

- Investors face slippage and growing frustration when trying to trade.
- Community members lose confidence due to erratic price behaviour.
- Exchanges begin applying pressure and, occasionally, start delisting procedures.

If liquidity deteriorates and KPIs aren't met, most venues won't care whose fault it is.

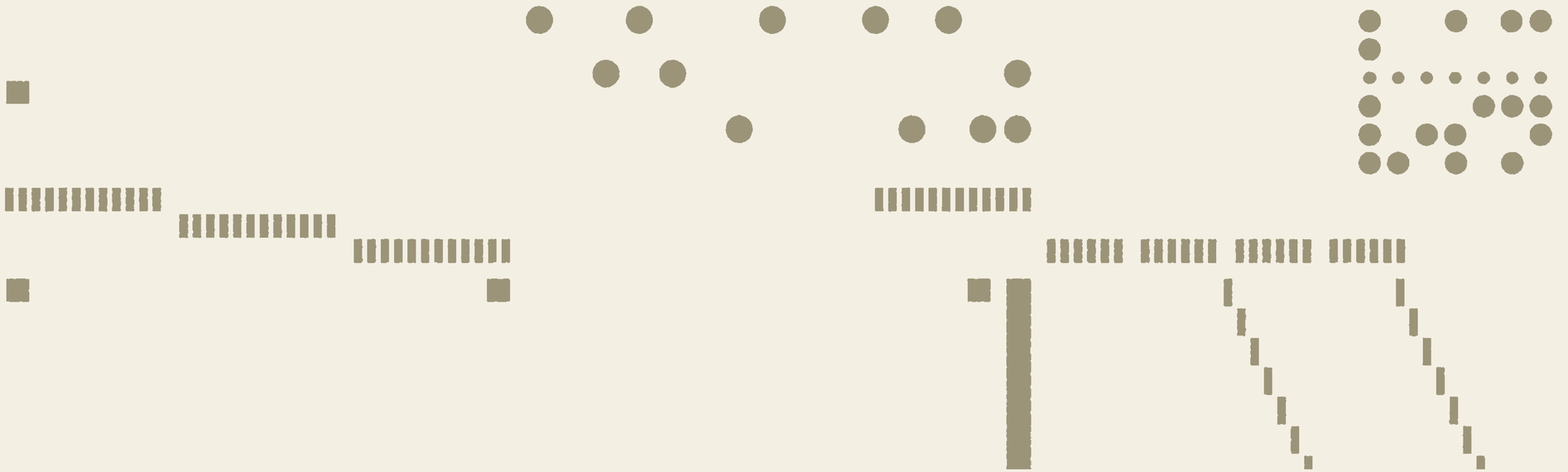
They care about user experience. And that experience becomes directly tied to your project.

The Dark Side of Option + Loan

Beyond basic underperformance, the next layer of risk sits in the deal structure itself.

As outlined previously, the Option + Loan model is a commonly used structure. At face value, it can appear founder-friendly: the project avoids upfront cash payments, and the market maker is compensated through the right to purchase tokens at a defined strike price.

But not all options are structured equally, and not all market makers behave the same once they hold one.



01. DELTA HEDGING

Delta hedging is a standard and legitimate way for a market maker to manage exposure to an option. It usually involves selling a portion of the underlying token *(drawn from the loan)* to offset the directional risk of the call option.

This is not inherently malicious. It's rarely explained clearly to the project up front, and the **amount of token selling required** to hedge the position is often significant.

The result: token sell pressure on or near launch, just as public trading begins.

This can come as a surprise to teams who expected *"alignment"* from the market maker based on their option position, only to find that alignment was hedged away in the first hour.

02. EXPLOITING CONVEXITY

A more concerning behaviour involves **manipulating the price** of the token in order to increase the option's value, then aggressively monetising that value at the expense of the market.

This relies on a fundamental concept: *option convexity*.

- As the price of the token approaches and moves through the strike price, the value of the option increases and does so at an accelerating rate.
- A less scrupulous market maker can attempt to **push the token price upward**, deliberately or through aggressive quoting, to increase the paper value of their option.
- Once the option becomes deeply profitable, they **rapidly sell the token loan**, locking in that value.
- This sudden sell-down, often unannounced and rapid, can crush the market, leaving the community and token price in disarray.

This is a structurally enabled version of a **pump and dump**, amplified by the mechanics of the option. It's difficult to prove intent, but the economic incentives are clear. These outcomes are made possible by opaque structuring, poor disclosure, and incentive asymmetry.

Projects can protect themselves by:

- Ensuring **clear explanation of hedging mechanics** in advance.
- Structuring options with tranching, vesting, and strike pricing that reflects fair market value.
- Monitoring for abnormal price behaviour that may suggest manipulation around the strike.

The more complex the structure, the more important it is to clarify incentives and retain visibility into trading behaviour.

When Value Extraction Turns to Regulatory Risk

When market makers cross ethical or regulatory lines, the consequences often extend to the projects they represent.

At the far end of the risk spectrum are firms that don't just underperform or structure bad deals, they behave like bad actors, often behaving in ways that would be illegal in traditional finance.

They might:

- Design **inflated option contracts** to capture more value than the service is worth.
- Monetise **insider information**, such as vesting schedules or upcoming unlocks.
- **Front-run** price-sensitive actions using the project's own market data or execution instructions.

Regulators *(including the SEC)* have brought enforcement actions against firms operating this way.

When that happens, it's not just the market maker who takes the hit.

The token project gets dragged into the mess, with reputational damage, legal scrutiny, and community backlash.

Protecting Yourself as a Project

Not all bad outcomes are preventable, but many are avoidable with better due diligence and structural safeguards.

Here's what helps:

Insist on transparency Real-time dashboards, clear KPIs, and visibility into loan usage.

Understand the value of what you're giving up, especially in option-based deals.

Use tranching and vesting to control risk exposure and reduce launch-day impact.

Avoid overcommitting to volume guarantees with exchanges that force your hand.

Recognise that *"alignment"* through options is often just marketing.

Above all, remember that this is a service relationship. If the economic value you're providing outweighs the quality of the service you're getting, *something's wrong.*

What to Consider When Partnering

SECTION 4 ——

Selecting a market maker isn't just a practical requirement ahead of a token listing, it's a critical strategic decision that can define how a project is perceived, traded, and supported in the months that follow.

When executed well, these partnerships bring liquidity, market confidence, and long-term alignment. When misjudged, they can lead to misaligned incentives, opaque behaviour, and reputational damage.

This section outlines the key considerations when partnering with both centralised exchanges (CEXs) and market makers. It covers structural red flags, incentive design, due diligence questions, and the broader dynamics that shape the success or failure of these relationships.

For any team preparing to launch, or renegotiating existing terms, these insights aim to provide a clear lens on what makes a market-making partnership work.

Centralised Exchange Expectations

Most top-tier centralised exchanges (CEXs) will expect you to have a market maker involved as part of the listing process.

When dealing with exchanges, particularly top-tier venues like Binance or OKX, be prepared for aggressive listing terms.

Many of these platforms demand significant token allocations as payment, and if you're not managing how those tokens are handled, through wallet visibility, lock-ups, or release schedules, you risk them being sold into the market at launch.

VCs also shared that they've seen projects inadvertently overcommit on expected volume to exchanges because they weren't fully aware of the downstream consequences, especially if the organic trading demand for the token can't keep up.

Be cautious of:

- **Aggressive listing terms** that involve large token payments with no visibility into how those tokens are handled.
- **Volume guarantees**, which can pressure you into inflated trading or wash trading, undermining your project's credibility.
- **Perpetual futures (perps)** listings launched too early, exposing your token to leveraged shorting before natural markets develop.

Remember: you're not just listing a token. You're creating a live market, and you'll be judged by how it performs.

CHOOSING THE RIGHT CRYPTO MARKET MAKER

This is where a lot of projects make mistakes. As one VC representative noted, different founder archetypes behave in different ways.

Some make fast decisions based on who they met at a conference.

Some lean on market making advisors, who help projects run competitive RFPs, assess offers, and manage relationships post-launch. But while useful, some of these brokers aren't always neutral and may have preferred providers or economic arrangements that aren't obvious.

More experienced founders tend to rely heavily on word of mouth: real feedback from projects who've already been through the fire.

The latter tend to make better decisions; not necessarily by picking the biggest brand name, but by avoiding firms that others have warned them about.

So what should you actually look for?

Reputation matters. Ask for references. Talk to clients. Ask your VCs and other founders you know who they've seen operate well, and who they've seen misalign with founders.

Transparency is non-negotiable. You need access to dashboards, regular updates, and clear, written KPIs. If you can't see what your market maker is doing, you have no way to know if they're delivering.

Structural clarity is essential. Avoid deal terms that are overly complex or built around bloated option + loan models.

Communication and education go a long way. Some of the most reputable market makers run workshops for token teams; not just to pitch services, but to build mutual understanding of how market structure works.

Value-Added Services: More Than Just Liquidity

Market makers often promote value-added services beyond providing liquidity, but it's important to understand what's genuinely strategic and what may come with hidden trade-offs.

A good market maker offers more than just tight spreads, they can also support strategic treasury sales through **execution services** designed to minimise slippage and avoid price disruption. Some may assist with exchange introductions, token generation events, or provide **investment** via their venture arm.

But as several VC representatives noted, investment from a market maker should be treated with caution. Buying a token doesn't guarantee alignment, and if perps are listed, the firm can immediately hedge by shorting, so capital injection shouldn't be mistaken for long-term commitment.

FINAL CONSIDERATIONS

When evaluating a market maker, ask yourself:

DO I UNDERSTAND EXACTLY HOW THEY'RE COMPENSATED?

ARE THE KPIS CONCRETE, MEASURABLE, AND ENFORCEABLE?

CAN I MONITOR PERFORMANCE IN REAL TIME?

ARE THEIR LEGAL ENTITIES AND OPERATING JURISDICTIONS CLEAR?

HAVE I SPOKEN WITH OTHER PROJECTS THEY'VE WORKED WITH?

Getting this right means putting in the work. But the result is a partner who *helps* your token succeed in a sustainable, compliant, and community-aligned way.

Future Best Practice

SECTION 5 —

As the crypto ecosystem matures, so too must the infrastructure that underpins its markets. Nowhere is this more urgent than in the way token projects engage with market makers.

This section looks ahead to how best practice is evolving, from standardised legal structures to more transparent, on-chain execution models. It highlights emerging trends that aim to correct the opacity, misalignment, and informal norms that have historically characterised many market making relationships.

With growing pressure from both communities and regulators, trading firms and token projects alike are being challenged to operate with greater visibility, accountability, and technical rigour. The developments outlined here point toward a more sustainable, transparent, and composable future for liquidity provision in digital asset markets.

AS THE CRYPTO INDUSTRY MATURES, SO MUST ITS INFRASTRUCTURE

And market making is no exception...

For years, token projects have relied on a patchwork of opaque deal structures, inconsistent practices, and asymmetric relationships with trading firms.

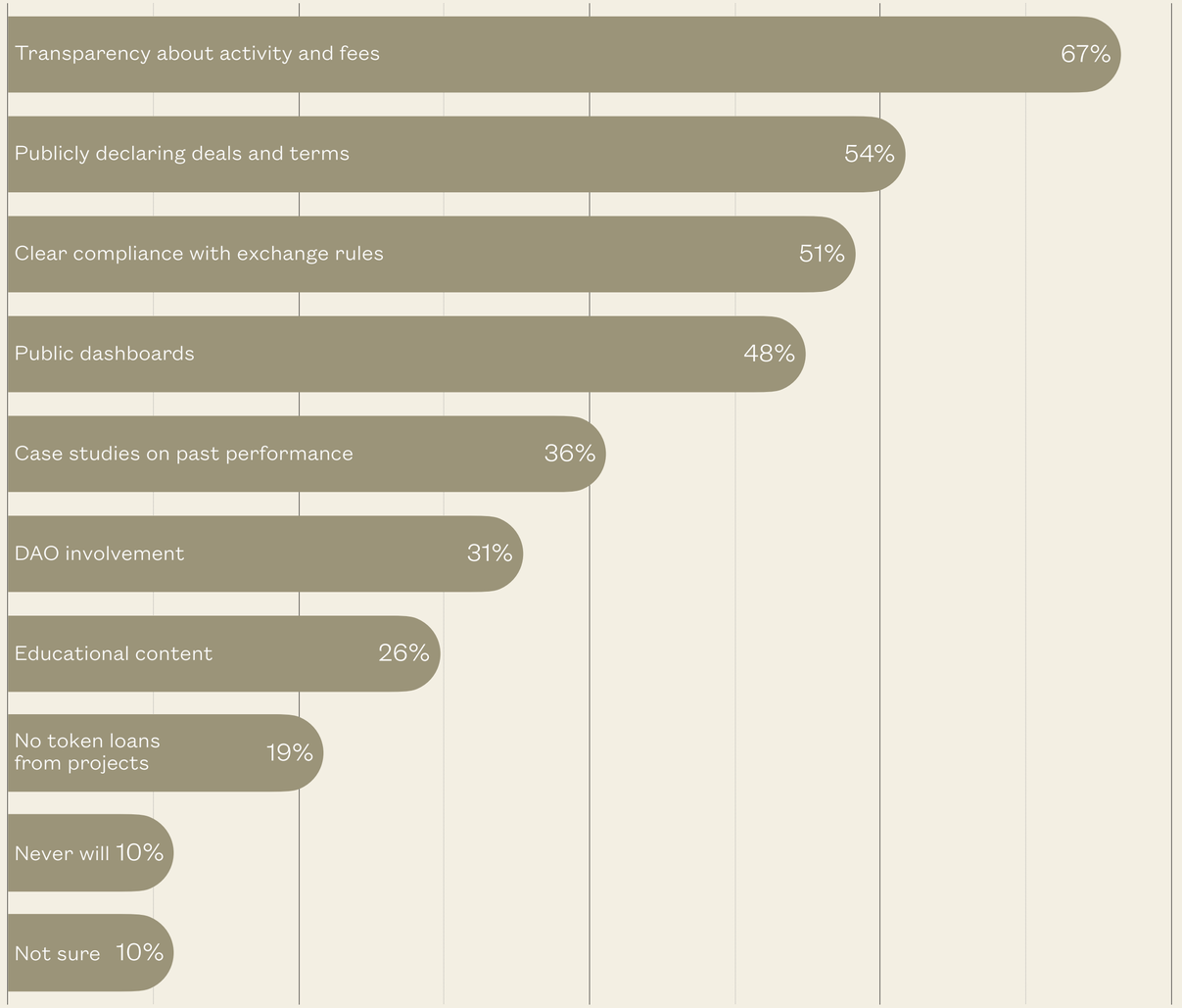
But that's changing fast.

As far as repairing trust is concerned, *transparency*, *public declarations*, and *compliance with regulation* remain the most promising routes forwards in the eyes of the wider crypto community.

If the status quo for crypto market making has historically been built on option + loan deals, vague promises of alignment, and minimal transparency, the next chapter will look very different.

Three major shifts are shaping the future of the space...

"What do you think would make you trust crypto market makers more?"



01. Towards Standardised Legal Structures

In traditional finance, trading relationships (especially those involving derivatives) are governed by well-defined documentation standards, like those from ISDA. Beyond defining rights and obligations, these frameworks reduce confusion, negotiation time, and legal risk.

Crypto needs something similar, with just over **50% of the crypto community believing crypto market makers should be regulated**, despite *less than 1 in 5* being confident that it would work.

Today, no two option + loan deals look the same. Terms are buried, mechanics are rarely explained, and the economic implications are often misunderstood, especially by newer projects.

What we're likely to see:

- The emergence of Web3-native legal standards for token market making deals.
- Clear documentation for key parameters: strike price, vesting schedule, token loan usage, termination rights, and reporting frequency.
- Optional public disclosures that give community members, exchanges, and counterparties more visibility into how tokens are being allocated and monetised.

Standardised deal templates build trust through structure, helping to level the playing field for token teams negotiating with better-capitalised, more experienced trading firms.

02. Evolution of On-Chain Infrastructure

Despite the rise of automated market makers (AMMs), most tokens still rely on centralised order books and off-chain market makers to function.

But this is changing.

We're entering a phase where **on-chain limit order books (CLOBs)** are becoming more viable, combining the structure of traditional trading with the transparency of DeFi.

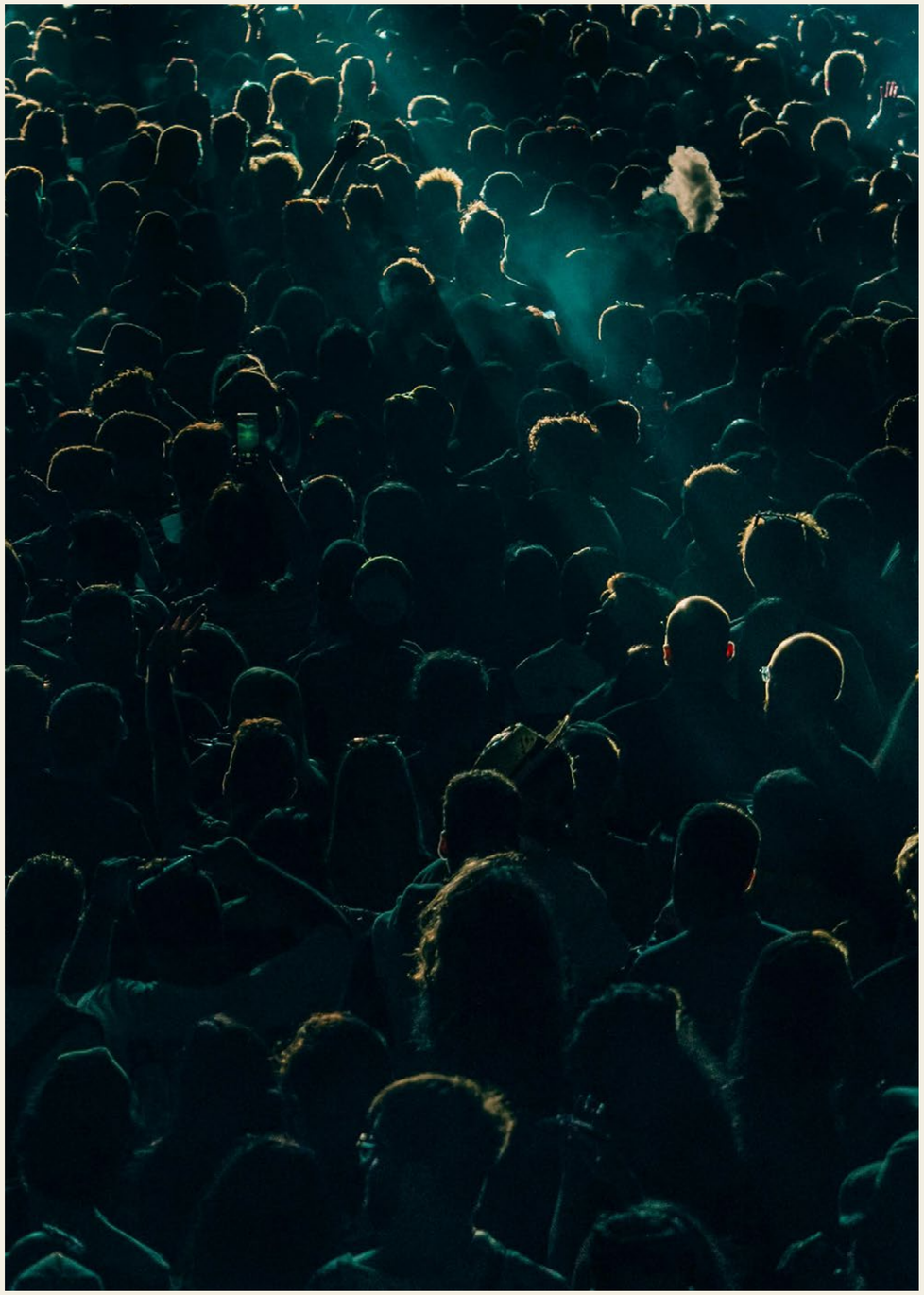
What this means:

- Market making activity becomes public, auditable, and traceable.
- Token projects and communities can see who is quoting, at what size, and when.
- Infrastructure becomes composable, meaning execution strategies, inventory management, and even incentives can be deployed programmatically.

We're also seeing **hybrid models** emerge like dYdX and Vertex, bringing more accountability to the table and forcing market makers to compete on visible quality.

03. Vault-Based Market Making Strategies

A newer trend is the rise of vault-based liquidity strategies, where the protocol itself or its community controls the assets used for market making.



Protocols like *Hyperliquid* are experimenting with:

- **Dedicated vaults** holding assets that can be deployed into order books.
- **Community participation in liquidity provision**, where LPs earn yield based on trading performance.
- **Governance** over how liquidity is deployed, priced, and managed.

This flips the traditional market making relationship. Instead of outsourcing everything to a third party, the venue protocol retains control while still benefiting from external execution expertise.

This model is still emerging, but it's gaining traction because it aligns incentives:

- The community benefits from better liquidity.
- The token protocol may retain strategic control over its own market.
- Risk is modular, managed through vault design rather than opaque bilateral deals.

Expect to see more hybrid structures emerge here, combining vaults with service providers who bring automation, rebalancing, and hedging on top.

WHERE WE'RE HEADING

The next phase of crypto market making will be defined not by who can quote tighter spreads, but by who can build infrastructure that is:

Transparent: with clear terms, visible actions, and auditable results.

Composable: integrated into on-chain protocols, not siloed behind opaque desks.

Aligned: where incentives are shared between the token project, the liquidity provider, and the end user.

Done right, this evolution will establish crypto market makers beyond tactical liquidity providers as *trusted infrastructure partners*.

Appendix

SECTION 6 ——

This appendix contains supporting information and context for the report, including research methodology, full data references, and a detailed glossary of terms used throughout.

It also outlines LO:TECH's approach to market making, as well as contact information for press and media enquiries. Together, these materials offer transparency into how the report was produced, and provide a clearer view of the principles behind LO:TECH's work in the market.

GLOSSARY

AGREEMENT / CONTRACT	The contractual arrangement between a token project and a market maker, typically defining terms like service duration, KPIs, payment structure, and token loan terms.
AIRDROP	Distributions of free tokens to community members, typically used for growth, reward, or decentralisation purposes.
ALIGNMENT	The degree to which a market maker's incentives match those of the token project, qualified and assessed by transparency, fair structure, and shared long-term goals.
AMM POOL MANAGEMENT	The active process of rebalancing token positions in a decentralised liquidity pool to ensure trading remains efficient and within an effective price range, especially on Uniswap v3 and v4.
AUTOMATED MARKET MAKERS (AMMS)	Smart contract-based protocols that allow users to trade tokens through liquidity pools instead of order books. Prices are set via algorithms, not bids and asks.
BRIBES	Undisclosed incentives to internal teams or business development reps in exchange for selecting specific market makers.
CALL OPTION	A financial instrument that gives the holder the right to buy tokens at a fixed price (strike price) in the future.
CENTRAL LIMIT ORDER BOOKS (CLOBS)	Trading venues, typically run by centralised exchanges, where buy and sell orders are matched by a private engine.
CENTRALISED EXCHANGES (CEXS)	Custodial trading platforms where tokens are bought and sold through internal order books.
DECENTRALISED EXCHANGES (DEXS)	Non-custodial trading platforms where users trade directly from their wallets using smart contracts. Liquidity is provided through mechanisms like AMMs or on-chain order books.
DECENTRALISED LIMIT ORDER BOOKS (DLOBS)	On-chain trading systems that replicate the functionality of centralised order books, offering public visibility into quotes, order flow, and execution.
DELISTING	The removal of a token from a trading venue, often due to low volume, poor liquidity, or failed compliance.
DELTA HEDGING	Selling a portion of the underlying token (usually drawn from the loan) to offset the directional risk of the call option.
DELTA NEUTRAL	Having no exposure to the price direction of an asset.
DEPTH	The amount of order volume available on the order book at various price levels. A deep market allows large trades to be executed with minimal slippage.
DESIGNATED MARKET MAKER (DMM)	A market maker assigned by an exchange or protocol to provide continuous liquidity for a token, often under formal agreement.
EXECUTION	The act of carrying out a trade, either on behalf of a project (agency execution) or by taking principal risk (OTC).
EXECUTION SERVICES	A support function offered by market makers where they discreetly buy or sell large volumes of tokens on behalf of a project to manage treasury, reduce slippage, or unwind positions.
EXIT CLAUSES	Contractual terms that define how and when a token project can terminate its agreement with a market maker.
FAIR VALUE	An estimate of a token's true market price, based on supply and demand across trading venues.
FRONT-RUNNING ANNOUNCEMENTS	Trading ahead of listings, unlocks, or other events using insider knowledge.

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HYBRID MODEL	A market structure that combines centralised performance (e.g. fast matching engines) with on-chain settlement and transparency.
INFLATED OPTION CONTRACTS	Option + loan agreements where the embedded option is over-sized (loan is a large percentage of circulating supply) relative to the service delivered, often leading to excessive value extraction by the market maker.
INSIDER INFORMATION	Non-public data (e.g. unlock schedules, investor sales, listing timing) that can be used to front-run or manipulate markets if misused by liquidity partners or trading desks.
INVENTORY RISK	An exposure to an underlying that is not Delta Neutral.
ISDA	The International Swaps and Derivatives Association. In traditional finance, it provides standardised legal templates for derivatives contracts.
KICKBACKS	Undisclosed incentives to internal teams or business development reps in exchange for selecting specific market makers.
KEY PERFORMANCE INDICATORS (KPIS)	Quantitative targets that define what a market maker must deliver (e.g. uptime, spread width, depth) to ensure accountability and contract performance.
LIMIT ORDERS	Passive orders placed at a fixed price on an order book.
LIQUIDITY	How much you can trade, when you want to trade, at a price that doesn't overly punish you for doing so.
LIQUIDITY POOL	A pool of token pairs used in AMMs (like Uniswap) to facilitate trading without an order book.
LOCK-UP	A restriction placed on tokens to prevent them from being sold or transferred for a fixed period, typically used to manage sell pressure post-launch or during vesting.
MATCHING ENGINE	The core system of an exchange that pairs buy and sell orders.
MINIMUM SPREAD	The tightest allowable difference between bid and ask prices. Often used as a KPI for market makers to ensure efficient and cost-effective trading.
OFF-EXCHANGE	Trading activity that happens outside of a public order book, typically through OTC desks or private deals.
ON-CHAIN LIMIT ORDER BOOKS (CLOBS)	Decentralised trading platforms that mimic traditional order books but operate entirely on-chain, enabling transparent, auditable liquidity provisioning.
OPTION + LOAN	A deal structure where a token project lends tokens and grants a call option to the market maker. Used as a form of compensation in lieu of cash.
OPTION CONVEXITY	The property of options where small changes in token price near the strike lead to accelerating increases in option value.
OTC DERIVATIVE	A financial contract traded directly between two parties, outside of an exchange. In crypto, this can include structured market making agreements involving embedded options.
PASSIVE LIQUIDITY PROVISION	A strategy where liquidity is offered via limit orders rather than immediate execution.
PASSIVE ORDERS	Limit orders placed at a set price, waiting to be filled.
PERPETUAL FUTURES (PERPS)	Derivatives that track the price of a token without expiry.
POOL MANAGEMENT	The process of actively maintaining a token's balances within an AMM range, particularly in concentrated liquidity pools.

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PRICE DISCOVERY	The process through which a token's fair market value is established via supply and demand dynamics.
PRICE MANIPULATION	Attempts to hold price levels, walk prices up, or create directional moves around events.
PRINCIPAL RISK	The exposure a trading firm takes when it uses its own capital to buy or sell tokens. Proprietary market makers assume this risk when quoting live markets.
PROFIT-SHARING	An arrangement where the market maker retains a portion of profits from trading activity, often layered into retainer models as an incentive alignment mechanism.
PUMP AND DUMP	A manipulative trading pattern where price is artificially inflated ("pumped") before being rapidly sold off ("dumped").
RELEASE SCHEDULE	A timeline dictating when tokens become transferable or unlocked.
RETAINER	A flat monthly fee paid to a market maker in exchange for liquidity services.
SLIPPAGE	The difference between the fair value and the actual fill price of a trade.
SPREAD	The gap between the best bid and best ask prices on an order book.
TICK RANGES	In AMMs like Uniswap v3, these define the specific price bands where liquidity is active. Outside the range, the contributed balances do not participate in trading.
TOKEN DUMPING	When large amounts of tokens are sold into the market in a short timeframe, often by insiders, market makers, or unlocked investors, leading to price collapses.
TOKEN GENERATION EVENT (TGE)	The moment a token is officially created and distributed to its initial holders.
TRANCHING	Splitting a token loan or option into parts with staggered unlocks or activation periods. Helps reduce launch risk and control token release pace.
TREASURY MANAGEMENT	The practice of managing a project's token and cash reserves, including stablecoin diversification, sales, and execution.
UNDISCLOSED CONFLICTS OF INTEREST	Self-dealing, trading against the token, or allocating capital to competing assets without disclosure.
UNLOCK MANAGEMENT	The planning and execution of liquidity around scheduled token unlocks, ensuring that sell pressure does not overwhelm the order book.
UNLOCKS	Scheduled releases of tokens to investors, team members, or the community.
UPTIME	The percentage of time that a market maker meets agreed KPIs, such as quoting within a defined spread.
VAULT-BASED LIQUIDITY STRATEGY	A system where users or protocols deposit assets into a vault that a market maker or strategy uses to provide liquidity.
VESTING	The process by which token allocations become available over time. Used to prevent large sell-offs and align long-term participation.
WALLET VISIBILITY	The ability to monitor token movement, particularly when tokens are sent to exchanges or third parties. Helps track potential sell pressure and prevent surprises.
WASH TRADING	Artificially inflating volume by trading with themselves to simulate market activity. Often described as "volume generation."

SOURCES & ACKNOWLEDGEMENT

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This report, including all research, interviews, and quantitative analysis, was conducted and written by *Jamal Malik, Creative Strategist*

DATA APPENDIX

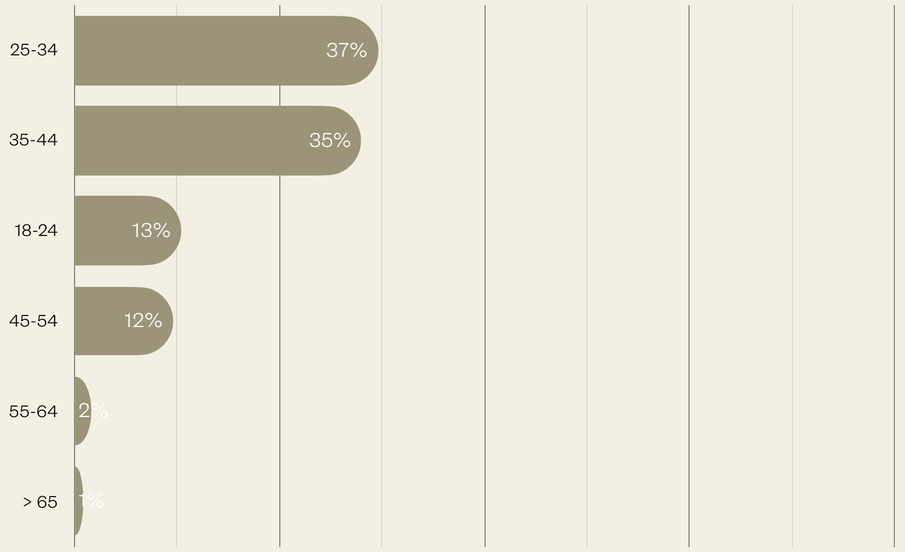
QUANTITATIVE FINDINGS

This data is drawn from a proprietary quantitative study conducted by LO:TECH as part of this report. The survey collected responses from *2,097* participants, aged *18 to 65+*, across all global regions and market types within the digital asset ecosystem.

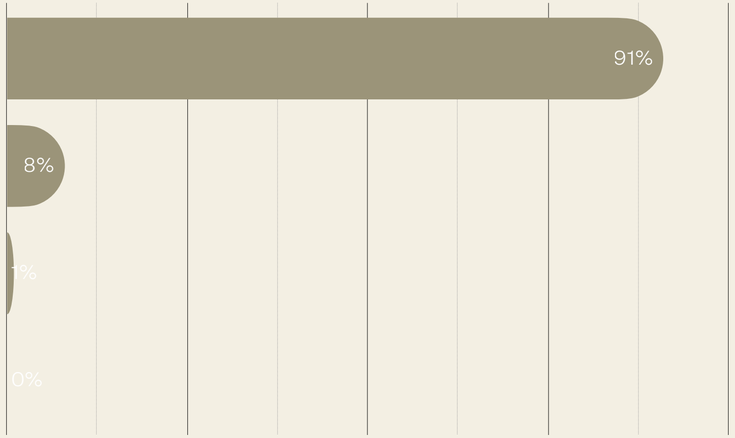
Respondents included token project founders, exchange professionals, investors, and other market participants, providing insight into the current state of market making, token liquidity, and trading behaviours. The survey was conducted anonymously to encourage honest feedback, and responses were collected over a four-week period in *June 2025*.

Results are presented as raw aggregated findings, with percentages rounded to the nearest whole number.

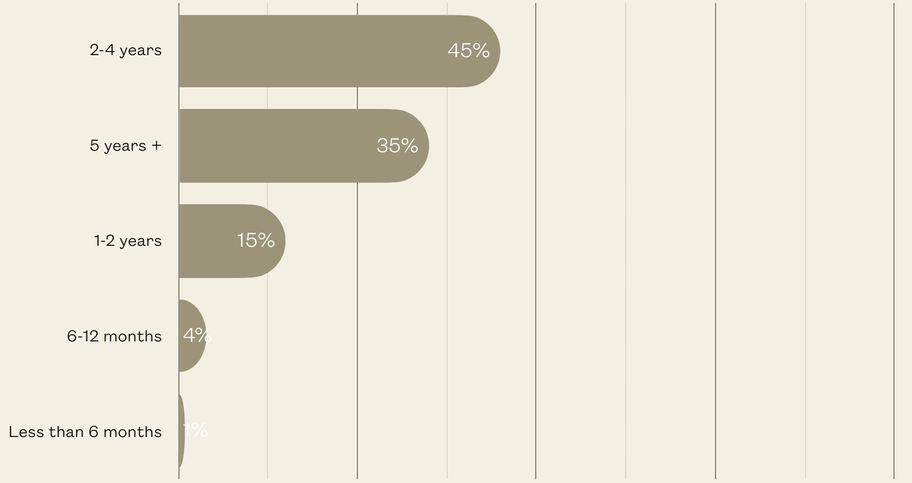
"How old are you?"



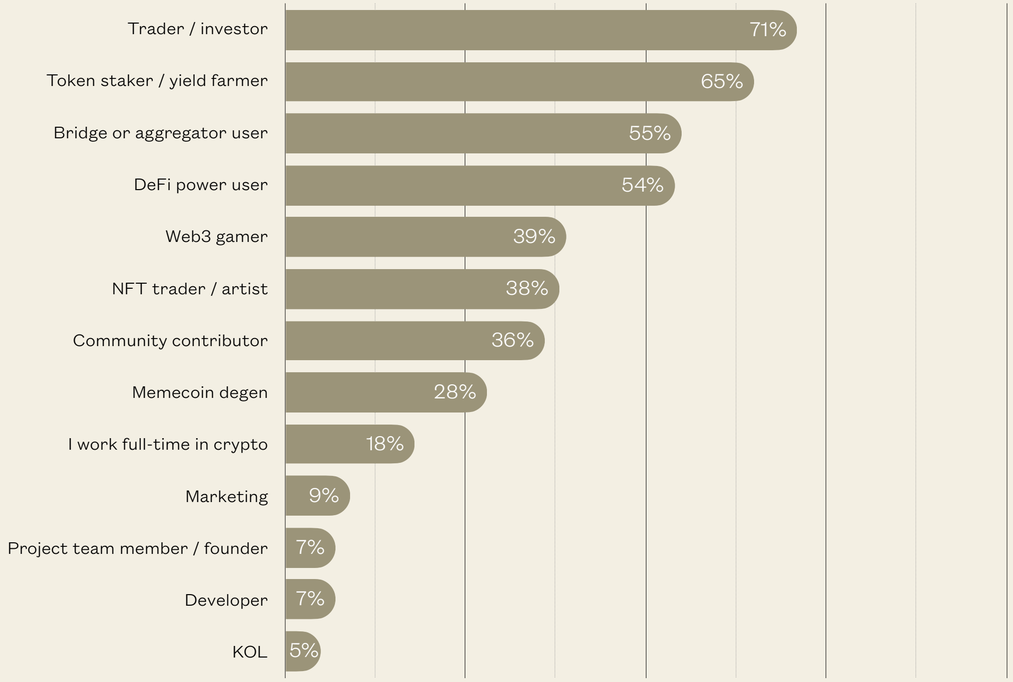
"Which of the following best describes your gender identity?"



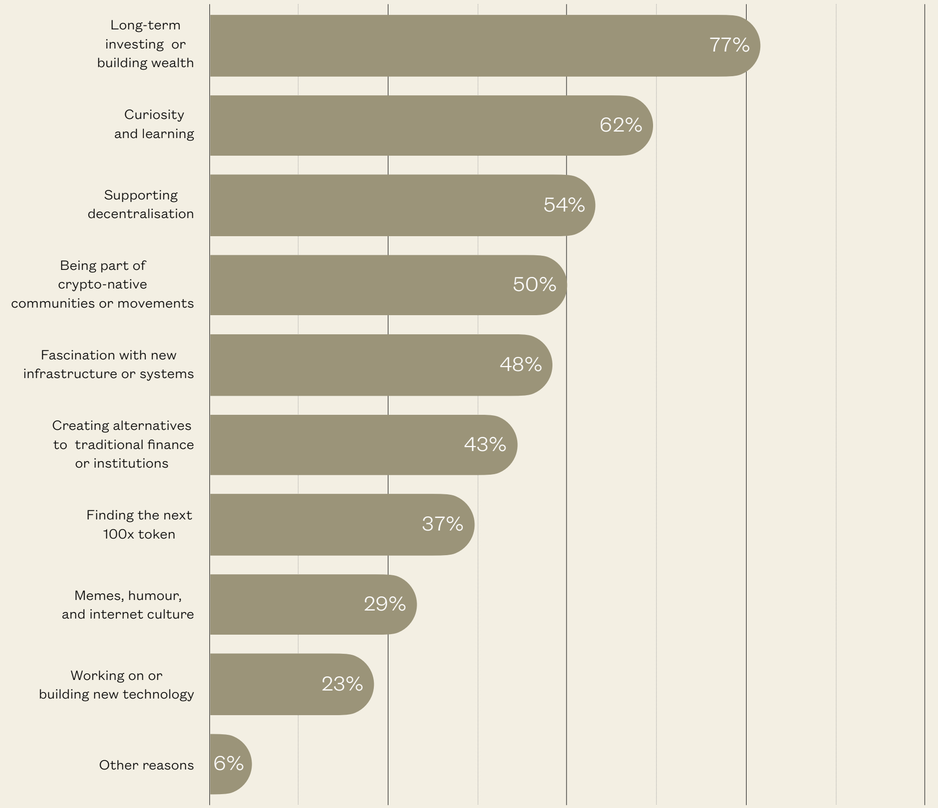
"How long have you been active in the crypto space?"



"What do you do in Crypto?"



"Why are you in crypto?"



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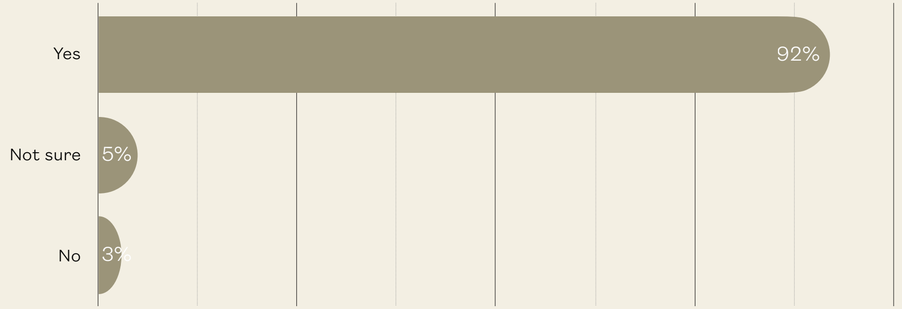
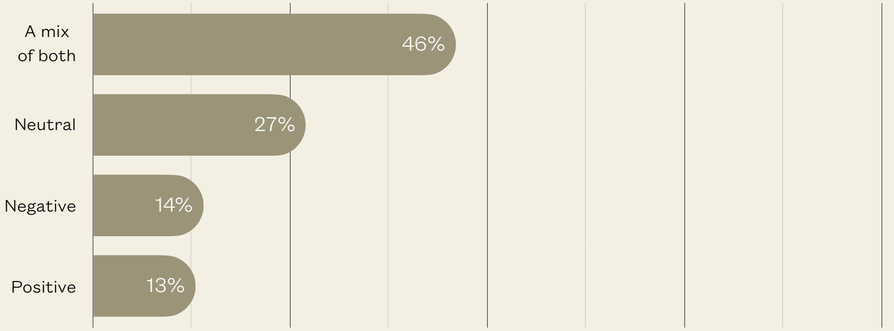
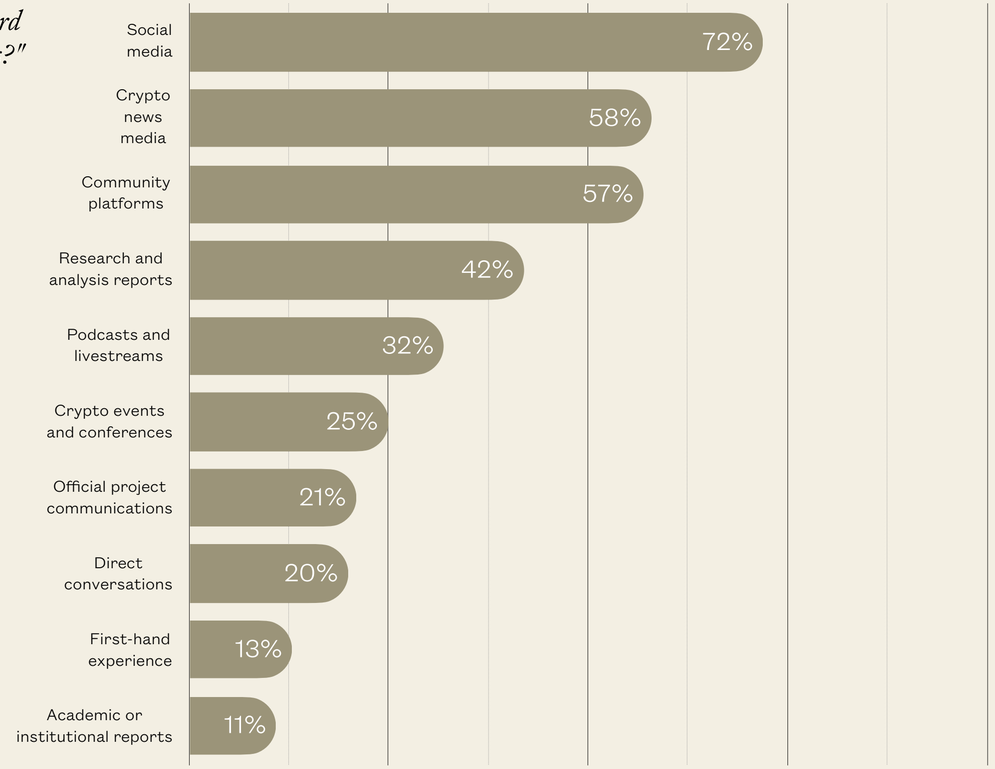
"Have you heard of "market makers" in crypto?"



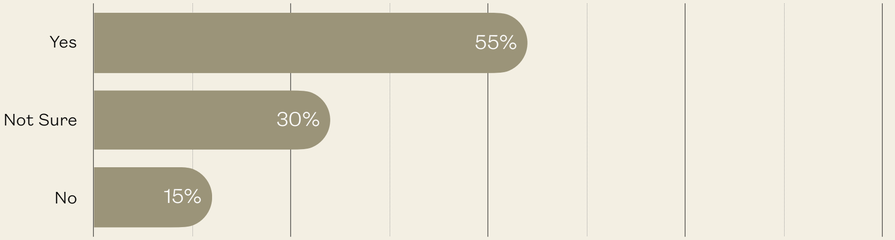
"What kind of press reporting on crypto market makers have you seen?"



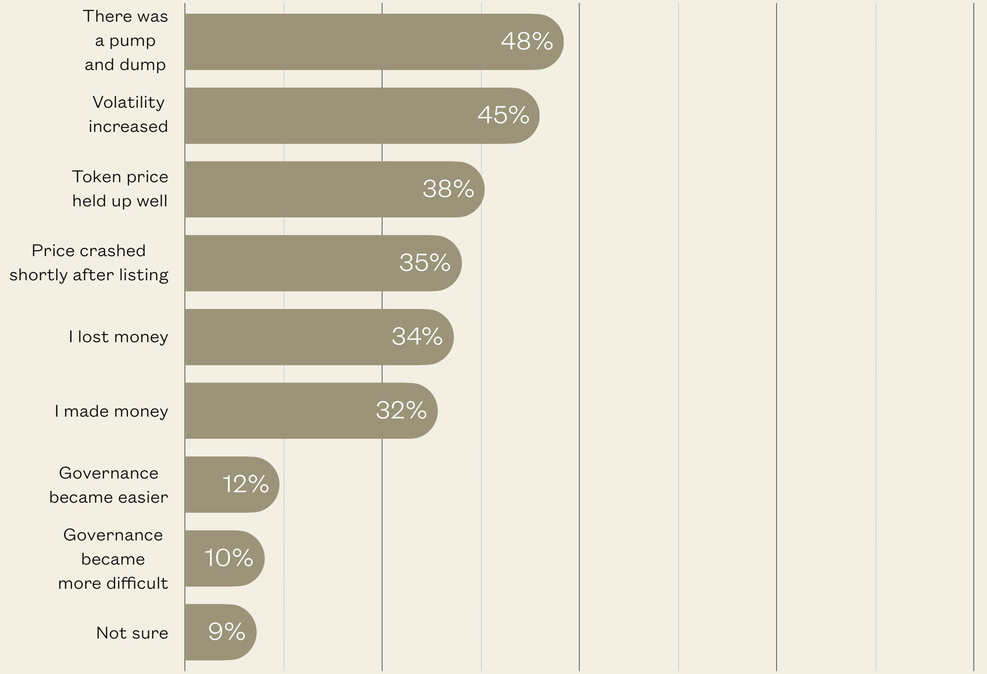
"Where have you heard about market makers?"



"Have projects you've held tokens in openly worked with market makers?"



"If yes, what was the outcome?"



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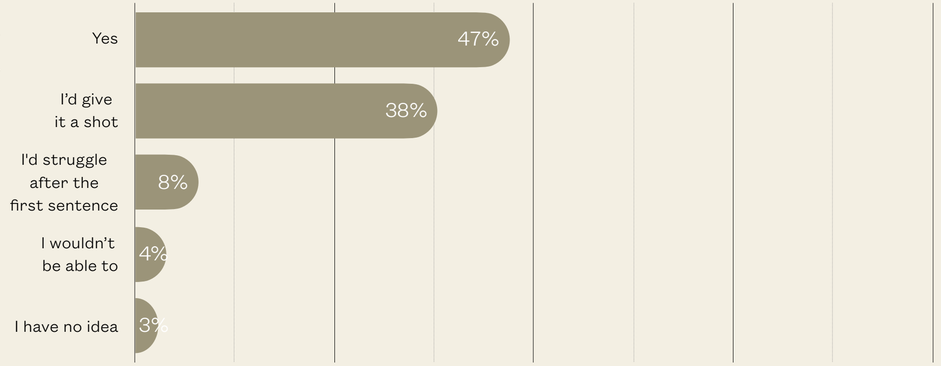
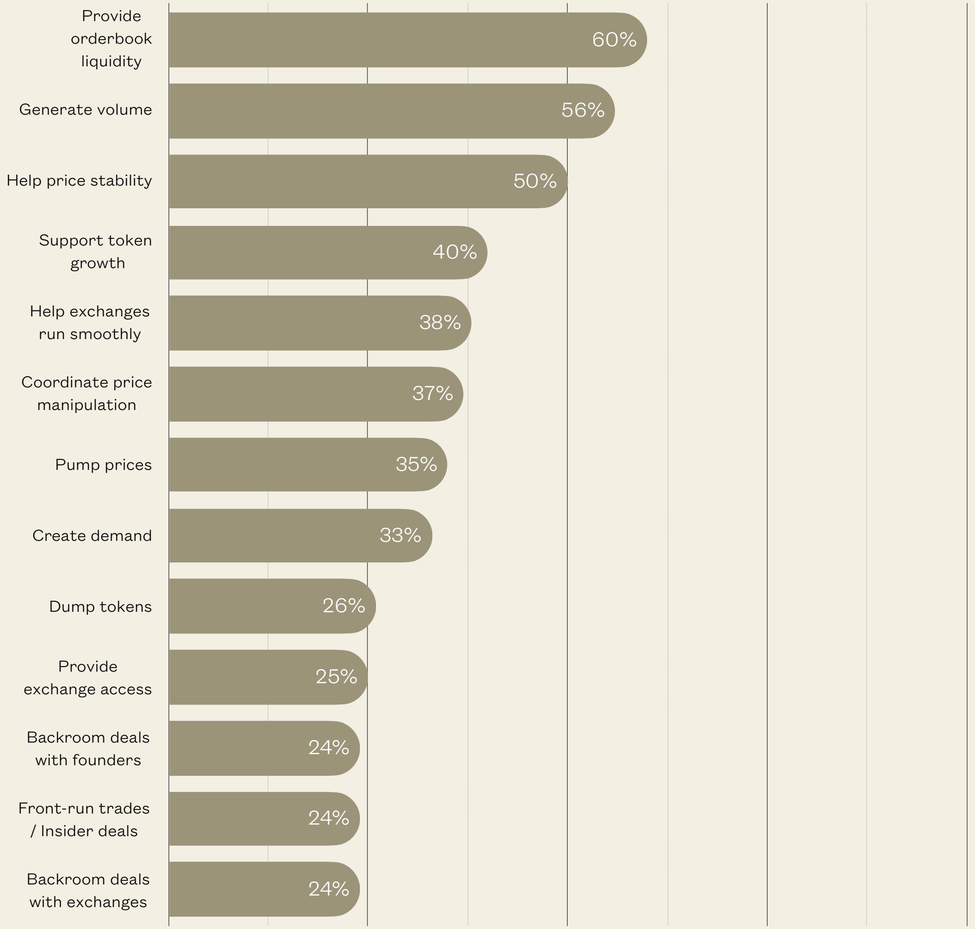
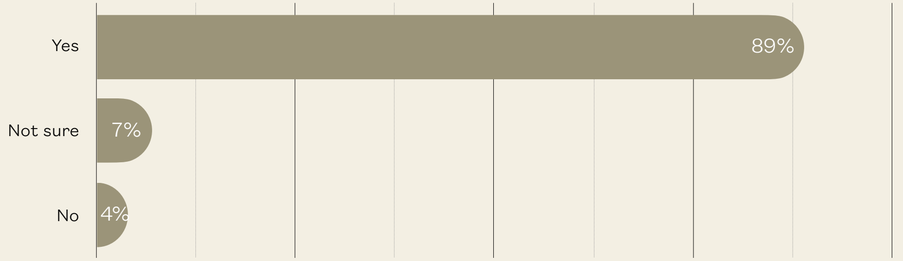
"Could you explain crypto market making to a friend without Googling it first?"



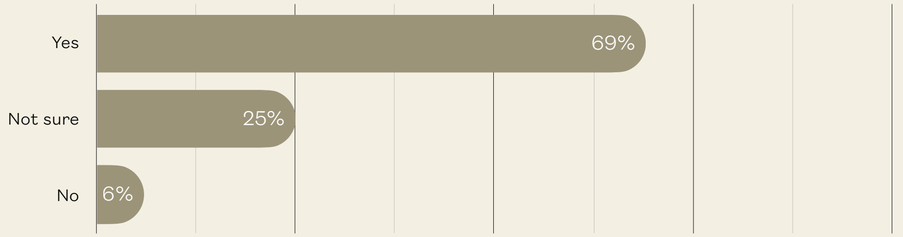
"What do you think crypto market makers do?"



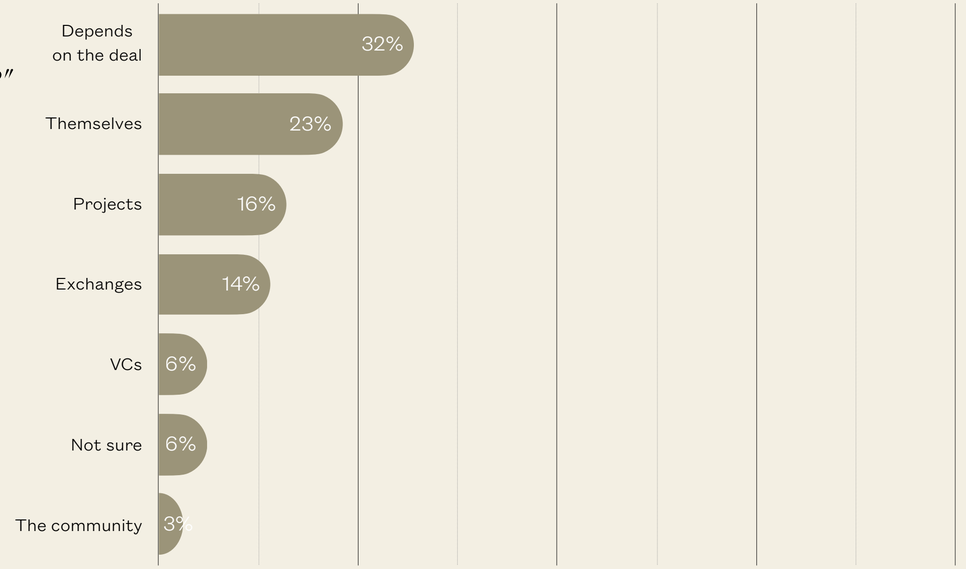
"Do you think crypto market makers affect token prices?"



"Do you know how crypto market makers make their money?"



"Who do you think crypto market makers are mainly working for?"



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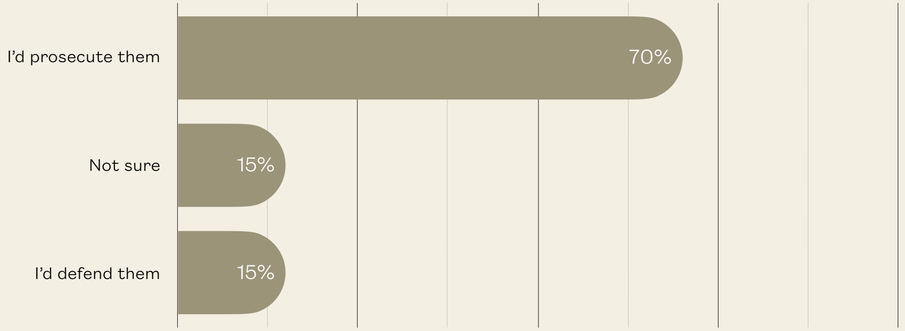
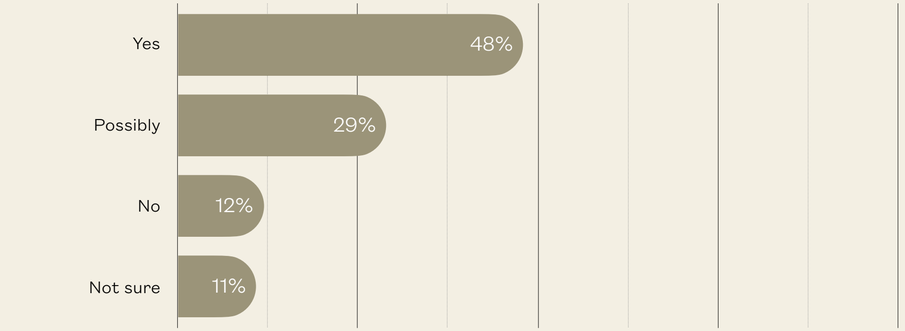
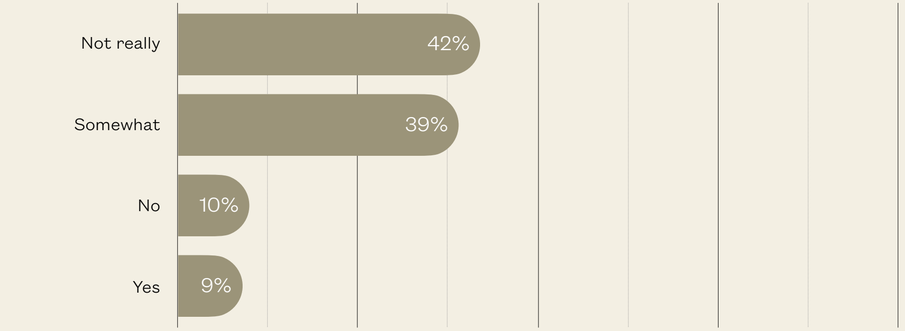
"If crypto market makers had to stand trial for their impact on the crypto ecosystem, would you defend them or join the prosecution?"



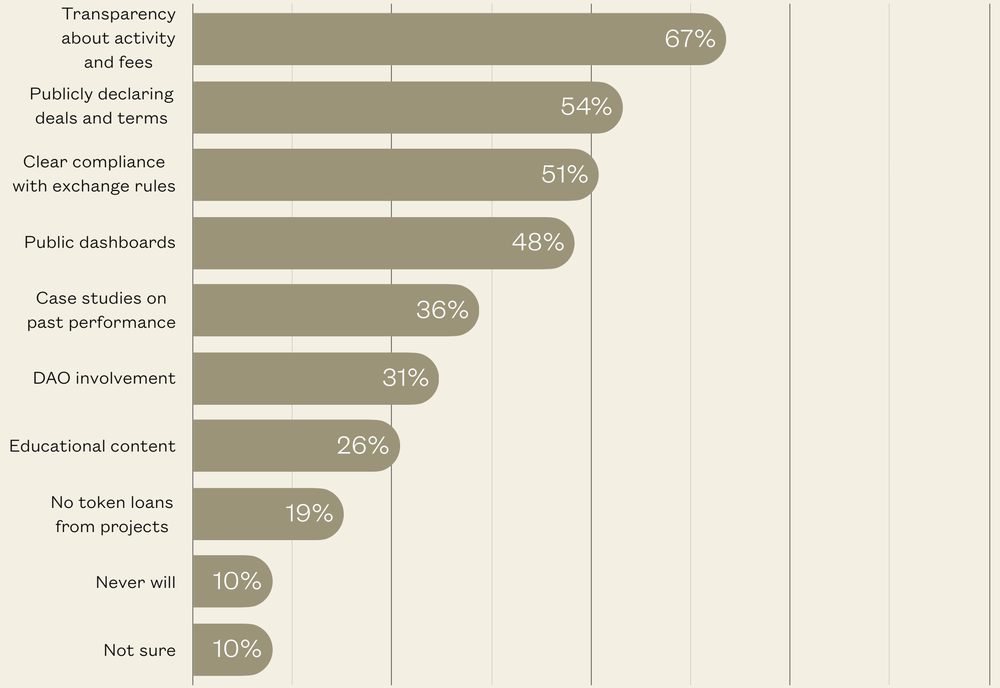
"Have you ever lost money because of what you thought was bad crypto market-making activity?"



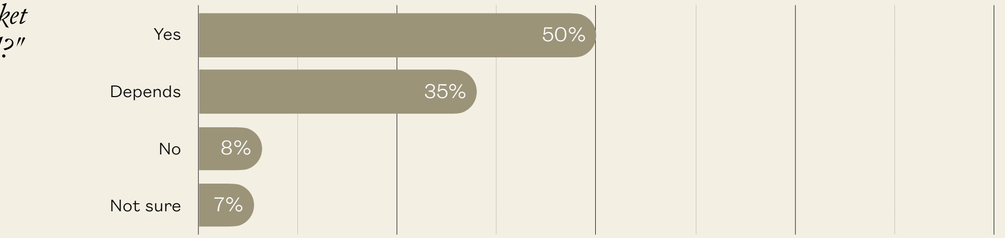
"Do you trust crypto market makers?"



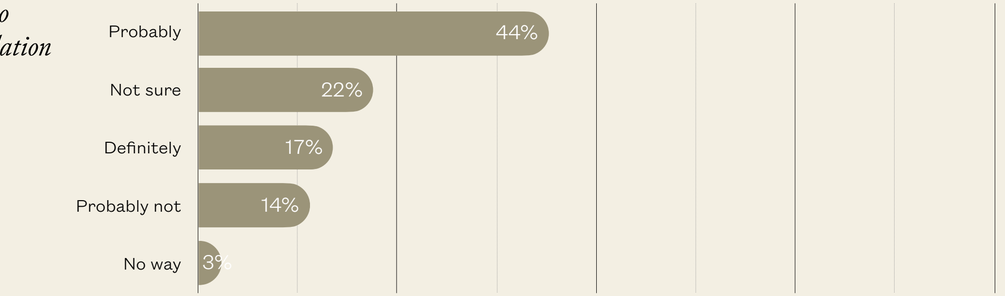
"What would make you trust a crypto market maker more?"



"Should crypto market makers be regulated?"



"Do you think crypto market maker regulation would work?"



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About LO:TECH

LO:TECH is a digital asset trading firm offering market making, market data, and OTC execution services. Its approach is built on institutional-grade technology and a commitment to transparency, helping token projects, exchanges, and institutions improve market quality and accountability.

LO:TECH's Approach to Market Making

LO:TECH sees market making as more than a technical function, it's a structural partnership with long-term impact on how a token trades. The firm focuses on clear deal structures, visible performance, and aligned incentives, helping projects avoid the risks of opaque or misaligned arrangements.

Transparency, First and Always

Transparency is built into every stage of LO:TECH's process, from upfront deal design to day-to-day execution. Clients have access to real-time dashboards, performance metrics, and reporting tools, ensuring they always know what's happening in their market and why.

The Retainer Model: A Preferred Structure

LO:TECH favours a flat monthly retainer: a simple, transparent fee-for-service model with clear KPIs and no hidden exposure. It keeps incentives aligned, if the service delivers, it continues; if not, the project can walk away without complication.

When Option + Loan Structures Are Required

Where Option + Loan deals are necessary, LO:TECH helps projects understand the full picture, particularly the effects of delta hedging. By explaining strike price mechanics, tranching, and hedging timelines, they help teams prepare for expected market behaviour and avoid surprises.

Clarity and Accountability

LO:TECH's broader goal is to raise the standard for how liquidity services are delivered in token markets. Through open structures, high-quality execution, and clear reporting, it aims to give projects confidence, flexibility, and control.

PRESS CONTACT DETAILS

For media enquiries, interview requests, or additional information regarding LO:TECH or the findings presented in this report, please contact the individuals listed below.

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