



DLResearch x ZETA

ZETA MARKETS

Perpetual Growth

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Could you provide some insights on what sets Zeta Markets apart from other perpetuals exchanges?

Zeta Markets is the fastest and most used fully onchain central limit order book perpetuals exchange today. It was founded on the principles of making DeFi a viable alternative to CeFi for traders in the wake of the FTX meltdown. Historically DeFi apps have tended to be slow, clunky to use, and expensive. Zeta however, doesn't make you feel like you're making a compromise by benefiting from the security and transparency of DeFi. It feels almost as fast and seamless as a centralised exchange (CEX), but runs entirely on smart contract infrastructure. Some of the primary benefits of Zeta are:

CAPITAL EFFICIENT

Our cross-margin risk engine allows users to trade all perp markets with up to 10x leverage using the same shared collateral.

ENABLES PRICE DISCOVERY ONCHAIN

All matching engine logic lives onchain and is run by the validator network. CLOBs are the gold standard in financial markets, and give traders on Zeta significantly better spreads and execution versus automated market makers (AMMs).

SECURE

Full self custody of assets, USDC margined. Additionally, Zeta employs advanced exchange security mechanisms, including an insurance fund, global OI, and withdrawal rate limits to prevent malicious exploits. As a testament to its robust security, Zeta has operated for 3 years without any smart contract exploits.

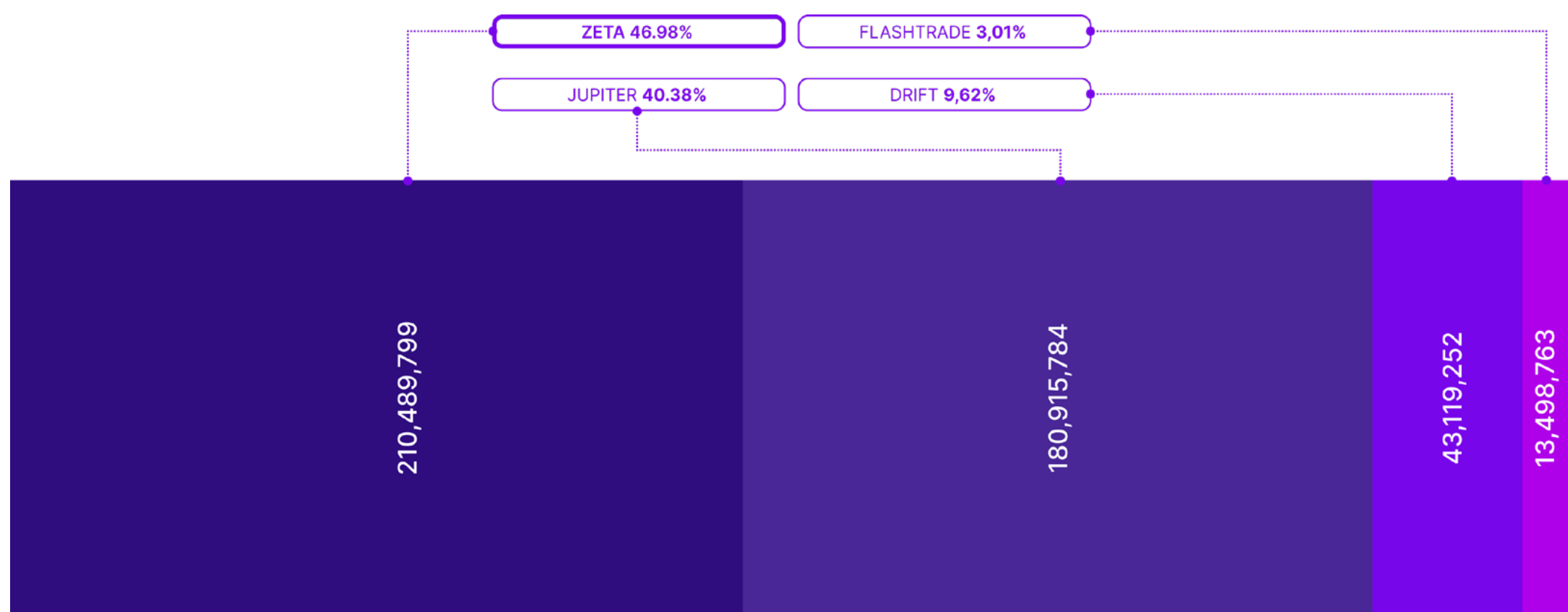
INTEGRATES INSTITUTIONAL LIQUIDITY

Programmatic connectivity to our smart contract using our SDK / CPI programs for Market Makers and other integrations.

FAST, LOW-LATENCY, EVENT-DRIVEN ARCHITECTURE

The Zeta backend streams orderbook prices to the frontend within milliseconds of them reaching the network (intra-block), making the front-end feel almost as fast as a centralised exchange.

GRAPH 1. DAILY VOLUME SHARE - COMPETITOR STATS AT MAY 26, 2024



Zeta has recently crossed \$8bn in all-time trading volume on its platform, and as of writing, it is doing nine figures of daily perps volume. This firmly cements Zeta as a leading perps exchange on Solana, reaching 47% of Solana market share as of May 26, 2024.

We've also announced Solana's first Layer 2 rollup to create a specialised, low-latency infrastructure layer that we believe can 10x the user experience for perps trading.

The team plans to release the 'first DeFi Layer 2 on Solana' with its Zeta L2 Rollup. How will this benefit the protocol and its users?

The motivation behind it is to deliver a trading experience that rivals a centralised exchange in terms of speed and liquidity, yet retains the transparency and self custodial benefits of being onchain. For our rollup we chose to build it on Solana given our 3+ years of development experience on the chain, and the fact that the L1 itself is already one of the most scalable chains in the market.

Zeta's rollup will use Solana for both settlement and data availability (DA), making it a fully native rollup. The rollup is geared towards trading, with order books being a first class citizen in the sequencer. Users will be able to very quickly deposit funds into the rollup from Solana L1, and then begin trading. We expect a massive improvement in UX where session keys can be generated so users don't have to sign every transaction, plus gas costs can be largely abstracted away for trading (i.e. they will only have to be paid for deposits and withdrawals). In terms of performance, we expect to at least 10x our current transactional throughput, and have latency that is competitive with CEXs (<10ms) using soft confirmations from the sequencer.

What Zeta is building is a specific scaling solution for Solana, that runs entirely on Solana. You can think of it as what Arbitrum or Optimism is to Ethereum, although in the early phases it will only support a limited subset of trading and DeFi specific functionality, as opposed to completely general purpose smart contracts.

One might ask why does Solana need an L2 if it is already so scalable? The rationale is more similar to why DYDX, Hyperliquid, Aevo and others have explored their own app chains, L1s and L2s respectively. The goal is to have a high degree of customisation and really tailor the infrastructure to a trading use-case to provide an experience that competes with CEXs. This means more control over blockspace, congestion, fee markets, transaction latency etc. By building this on Solana, as opposed to an isolated app chain, we strongly believe we can tap into the rapidly growing pool of TVL and liquidity that is flocking to Solana DeFi.

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How will the upcoming \$Z token benefit the protocol? What sort of governance proposals does Zeta Markets expect to see?

\$Z is Zeta Markets' native governance token, which will have a total supply of 1B tokens, with the largest share (62.5%) reserved for our community. This includes:

- 10% via airdrop (8% towards the z-score points program, and 2% set aside for stakers to reward long term alignment).
- 30% to platform trading incentives, meaning traders get handsomely rewarded the more they trade.
- 22.5% to Community Treasury, funding initiatives including Zeta's multi-year creator & ambassador programs.

\$Z will pioneer an innovative spin on vote escrow tokenomics on Solana, introducing 2 new concepts. Firstly stakers are exponentially rewarded for the duration of their lock, therefore more heavily allocating power to those who are committed for longer. Secondly, we introduce the ability for stakers to vest and unlock their tokens linearly, providing users more liquidity and limiting the supply shock on the ecosystem caused by traditional unlock cliffs. While \$Z staking will be enabled immediately, governance will be set up at a later stage, and this will likely involve the community, partners and contributor team working together to align on the direction of the protocol.

**What are Zeta Market's mid- and long-term goals?
What's next after the \$Z token generation event and the L2 release?**

The DeFi derivatives market today is significantly shaped by the growing popularity of perpetual futures, thanks to their flexibility and the advantages they offer, such as the use of leverage and the ability for traders to take either long or short positions. These features have quickly made perpetual futures the derivative of choice for many crypto traders.

Looking ahead, with the continuous improvement of underlying blockchain networks, we expect derivatives market share to continue to surge to DeFi venues and are excited for price discovery (especially for tail assets) to occur onchain. To us this is a big win, since it means more users will gain the benefits of self custody and the transparency of public ledger infrastructure, no longer having to cede to centralised operators for sake of convenience.

In terms of mid term goals after the \$Z TGE: From our published roadmap, there are a slew of product upgrades we will introduce to improve user experience. These include, multi-collateral functionality, a design and UI refresh to Zeta, as well as OAuth login and direct fiat onramping, providing seamless onboarding to new crypto users with no pre-existing wallet or assets onchain.

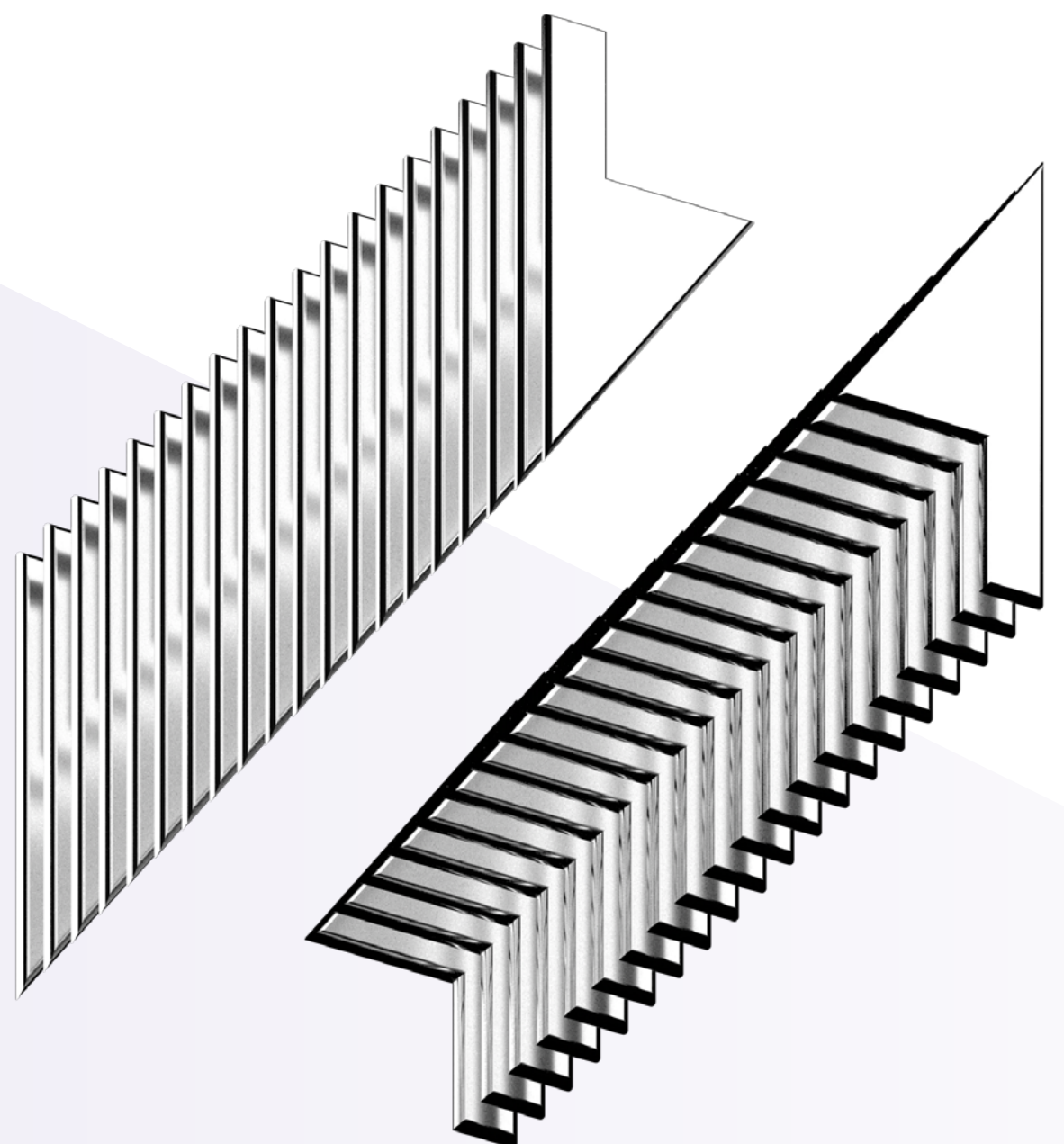
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ZETA MARKETS PERPETUAL GROWTH

Derivatives trading has become an essential part of Solana's growth trajectory, with a handful of dedicated protocols battling for top spot on the platform.

Notable among them is Zeta Markets, a perpetuals exchange that has been rattling the market with a series of huge announcements in 2024. Growth is exploding as a result.

From an upcoming and highly anticipated token generating event (TGE) to plans for Solana's first L2 roll-up, Zeta Markets is fast becoming the dominant force in De-Fi derivatives. Will Zeta be able to live up to its billing as a central exchange killer?

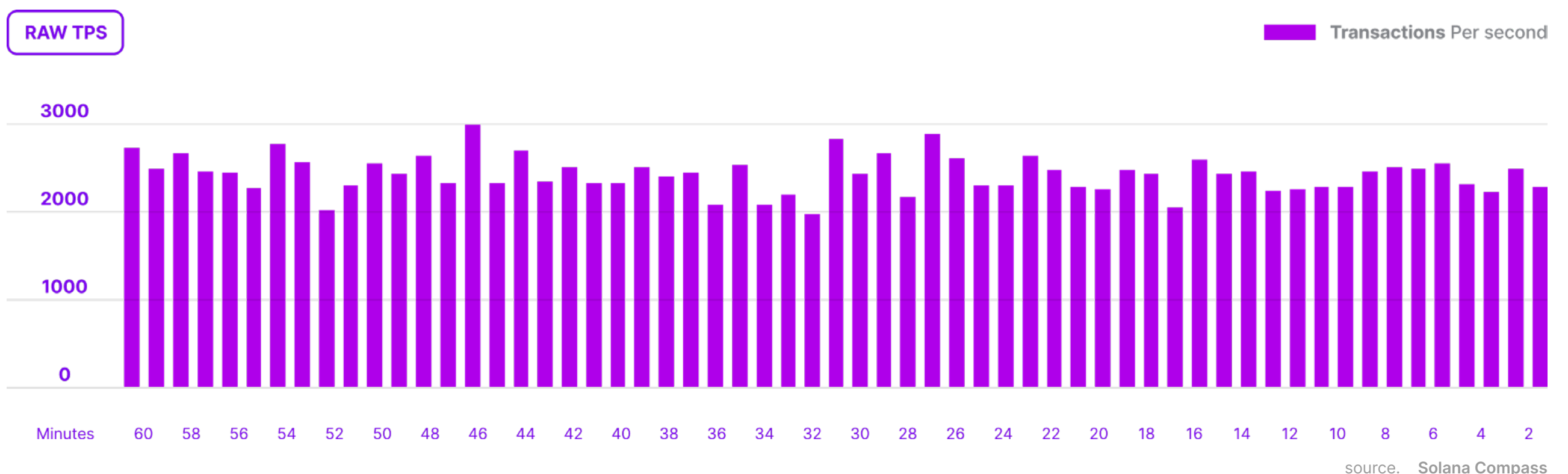


THE ETHEREUM KILLER

When Solana launched in early 2020, it was billed as the world's first 'web-scale blockchain'. By delivering 50,000 transactions per second (tps), it promised to achieve 'layer-2 (L2) speeds on a layer-1 (L1) platform'. Subsequently, its reputation for scalability and low transaction costs have seen the novel Proof of History protocol routinely attract the label 'Ethereum killer'.

Ethereum's scalability issues are well remarked upon. The popularity of decentralised applications and decentralised finance (DeFi) platforms makes the protocol's congestion and high gas fees increasingly problematic. Solana presents a compelling alternative.

GRAPH 2. SOLANA PERFORMANCE STATISTIC: LIVE TPS, COMPUTE + FREE TRACKER



While it has yet to unseat the incumbent, Solana has succeeded in landing some sizeable blows. Its speed and affordability are two big checks in the pro box, particularly for developers who can deliver a superior user experience on a protocol that can handle thousands of tps at a relatively low cost. These features lend themselves to various use cases, among them high-frequency trading — speed and affordability are critical in volatile, speculative markets.

As a result, Solana has matured into the de facto protocol for non-fungible tokens (NFTs) and memecoins. A flurry of memecoin trading activity in March 2024 saw trading volumes on Solana briefly surpass Ethereum.

This short signal of Solana's intent as an 'Ethereum killer' was dulled slightly by outages and failed transactions as the blockchain struggled to cope with increased demand, although these did little to discourage traders.

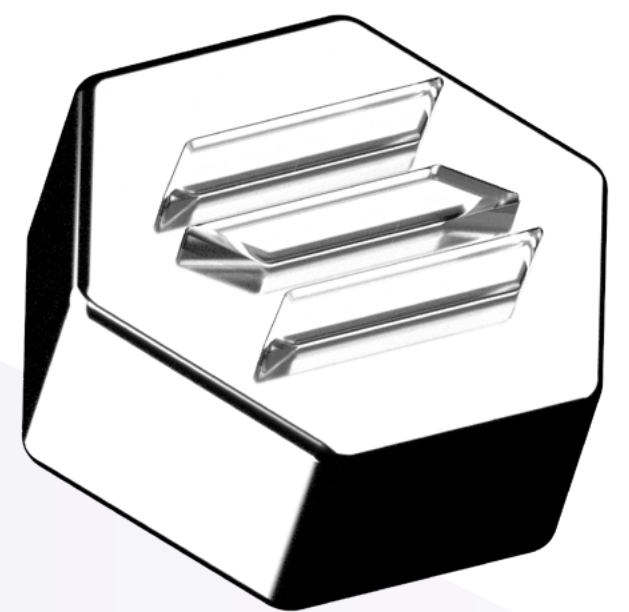
With its memecoin sector driving a massive amount of activity to the Solana network, decentralised exchanges (DEXs) have been catapulted to the foreground.

DEXs enable users to trade onchain, swap, and stake without intermediaries, and Solana boasts a vibrant ecosystem of DEXs that now account for five of the top-10 exchanges by volume.

There's a genuine possibility that Solana could convert its lead in NFTs and memecoins to become the de facto blockchain for perpetual exchanges as well. It has several characteristics to recommend it, not least its high throughputs and low latency.

While DEXs like dYdX on Ethereum run a hybrid model with orderbook matching offchain, Solana can support onchain trading at scale thanks to 400 millisecond block times and low gas fees. Speed is essential for swift execution and to avoid slippage, and low transaction fees keep costs down for traders and ensure no groups are priced out.

Now itself a top-five network with enough market offerings to entice even the savviest institutional trader, Solana's next step is to flesh out its perpetual and derivatives landscape.



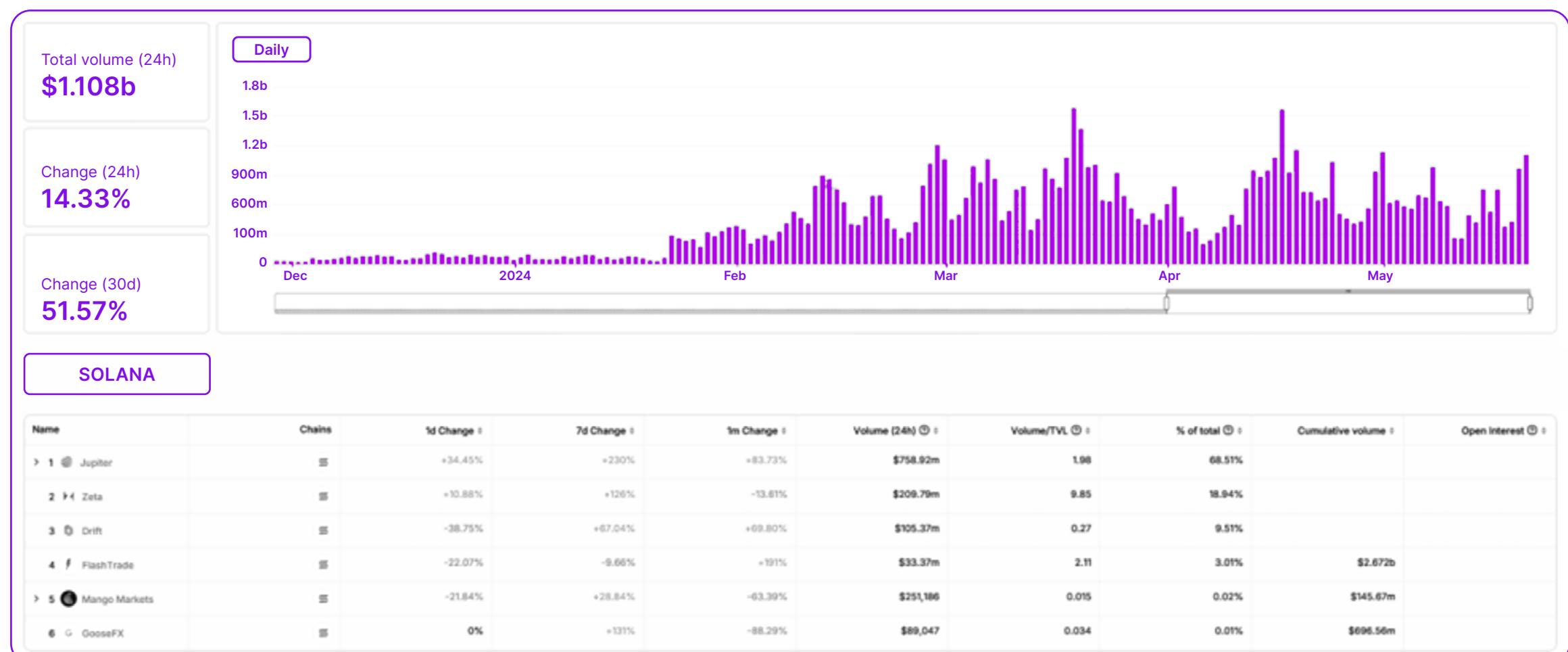
IF YOU BUILD IT, TRADERS WILL COME

Derivative trading volumes on Solana are on the rise and becoming an essential part of its growth and maturity narrative. Derivatives traders need speed and affordability — two things Solana can provide in ample measure.

In March 2024 Solana's derivative trading volume hit an all-time high, topping \$23.7bn — up from \$241,000 the previous March. Six platforms currently offer derivatives trading on Solana, and much of its recent growth in volume has been driven by the maturing of these protocols and the various token incentives they provide to traders.

The stand-out among these is Zeta Markets, a long-standing protocol that has been making waves in 2024.

GRAPH 3. DERIVATIVES VOLUME IN SOLANA



source. DefiLlama

COMPETITIVE LANDSCAPE

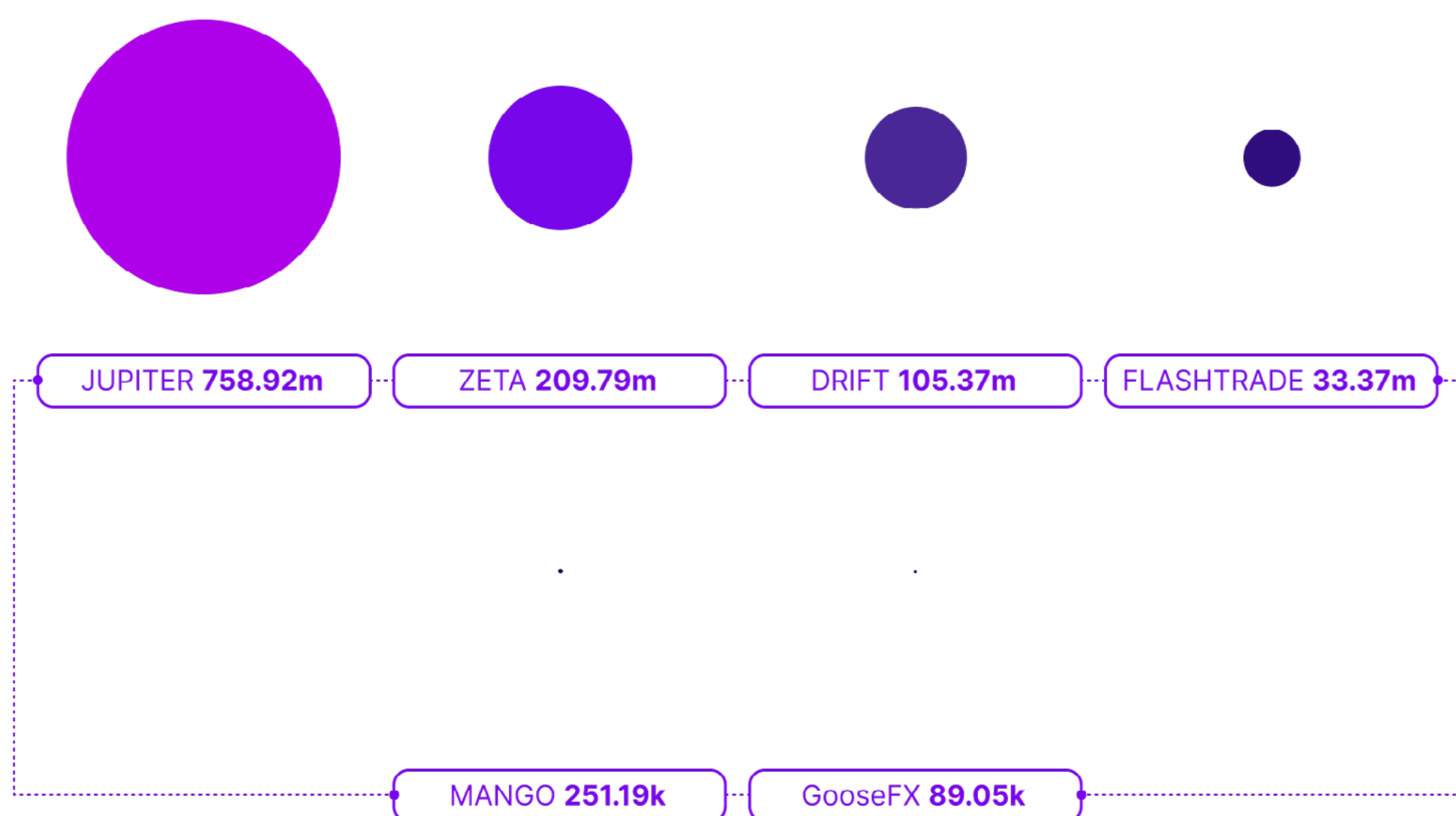
Jupiter and Zeta Markets are the key players in Solana's derivatives ecosystem, accounting for more than 80% of the current daily derivatives volume.

While Jupiter is established as the largest aggregator in DeFi, liquidity issues and broader community concerns around centralised management have hindered its credibility among perpetual traders.

Drift, meanwhile, has lost its status as dominant derivatives platform, against a backdrop of increased competition.

At present, Jupiter is the network's most significant driver of daily volume. Founded as a DEX aggregator in 2021, Jupiter has since evolved to offer both spot products and perpetual futures trading.

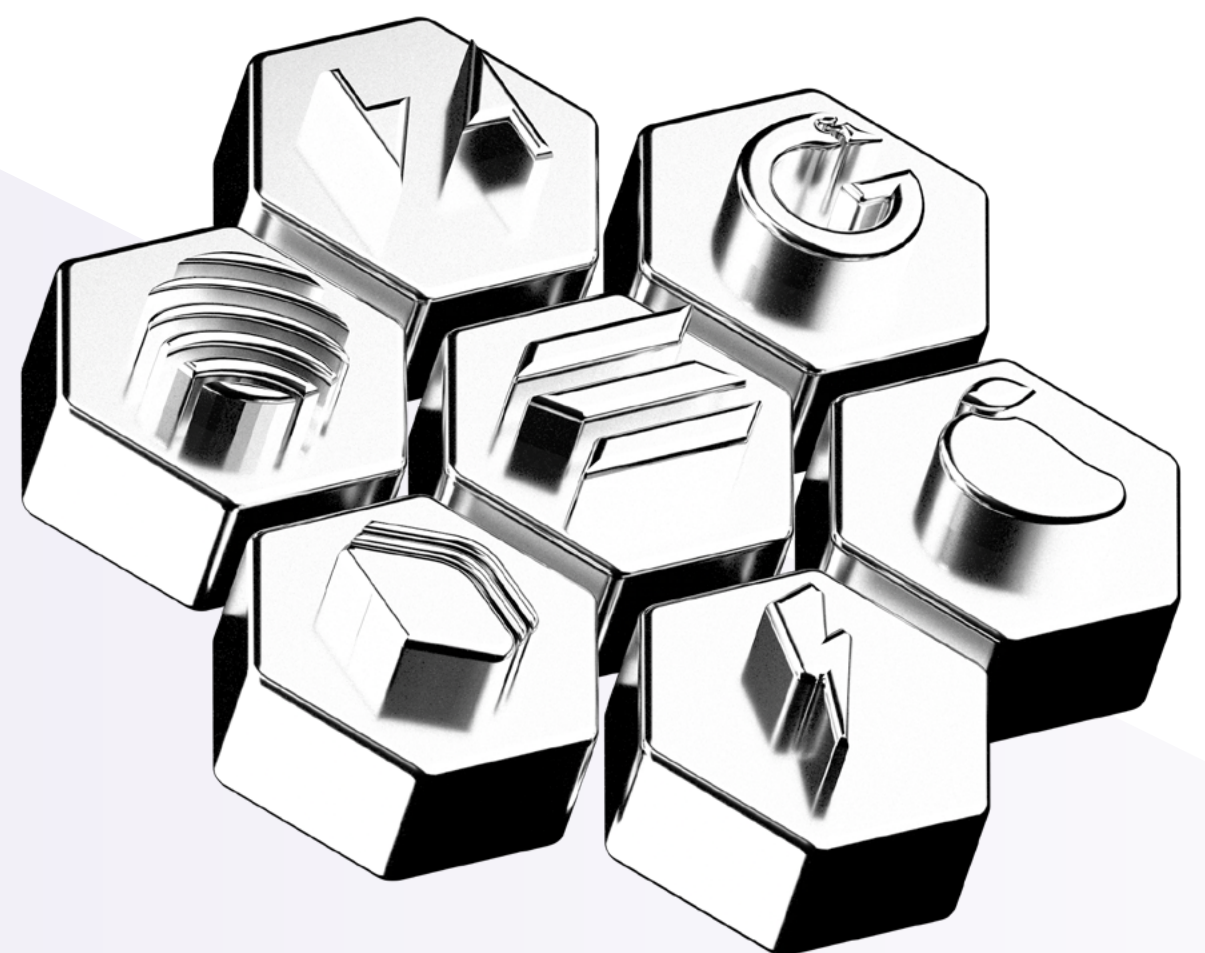
GRAPH 4. SOLANA'S DERIVATIVES ECOSYSTEM AT MAY 20, 2024 (DAILY DERIVATIVES VOLUME)



source. DefiLlama

A DEX offering perpetuals, spot trading, and swaps, Drift fundamentally differs from Zeta and Jupiter by primarily supplying liquidity through a Just-in-Time (JIT) auction mechanism. Drift also uses an automated market maker (AMM) as a backstop if the JIT doesn't fill market orders.

Despite Drift's approach with the JIT and AMM mechanisms, it has faced challenges in maintaining its position within Solana's derivatives market. The competitive landscape has shifted significantly in favour of newcomers who can bring both the technology and a community of supporters to the table.



USURP THE THRONE

Zeta Markets has risen swiftly throughout 2024 as a formidable challenger, fuelled by community incentives including its trading competitions.

Zeta was first ideated in January 2021, turning heads early on when it won Solana's inaugural hackathon. As one of the longest-standing DeFi protocols on Solana, the company aims to bridge the gap between a centralised exchange (CEX) and DEX, offering the speed and ease of use of a custodial platform coupled with the self-custody and transparency inherent to DeFi.

Zeta has taken a gamified approach to growth, launching Z-Scores at the end of 2023, which assigned points to traders based on their activity and performance on the platform. The Z-Score launch saw monthly active users increase 24 times to nearly 72,000.

The protocol is openly targeting dominance over other exchanges, and its four-phase roadmap, unveiled in March 2024, very clearly details its planned route to achieving that goal. The introduction of Z-Scores was part of its initial zero phase, with the launch of a governance token, \$Z set to kickstart phase one.

Stakers that stake more \$Z tokens will receive a larger share of this airdrop. The fourth and final phase of the current roadmap will expand its perpetual offering and introduce a pioneering Solana DEX rollup.

COMPETITIVE ADVANTAGE

What makes Zeta stand out from other Solana perpetual offerings begins with its architecture. Its approach differs from that of other perpetual DEXs, whose products tend to have inherent technical issues.

Those employing AMMs, like Drift, are simply not as capital efficient as those who employ central limit order books (CLOBs), as experienced on Zeta's platform. An indefinite price curve determines prices on AMMs but capital is not always used in all ranges. For example, an AMM offering SOL perpetuals will have capital coverage at a \$1 level, yet the market will likely never see this price.

Zeta's order books consist of limit orders and are flexible in their concentration around certain ranges. They maintain a close bid/ask spread concentrated around specific price ranges, making the asset more liquid. If the buy and sell orders overlap, CLOBs execute this trade with zero slippage — the price you see is the price you get. Zeta has actively onboarded six market makers, with an additional two tier 1 market makers in the process of integration..

Using a CLOB enables Zeta to offer users leveraged trading on several perpetual pairs. The platform uses a native margin system comprised of three key elements: the mark price, the collateral management framework, and the liquidation mechanism. The margin system enables leveraged trading, and liquidations incur a 35% fee, with 25% going to the liquidator and 10% to Zeta's insurance fund.

But it is the four-phase roadmap where Zeta Markets nails its colours to the mast as a real contender, not just within the Solana ecosystem but also in the broader derivatives trading space. The fourth phase of its roadmap details the protocol's plans to launch Solana's first-ever DEX rollup, enabling Zeta to onboard millions of traders.

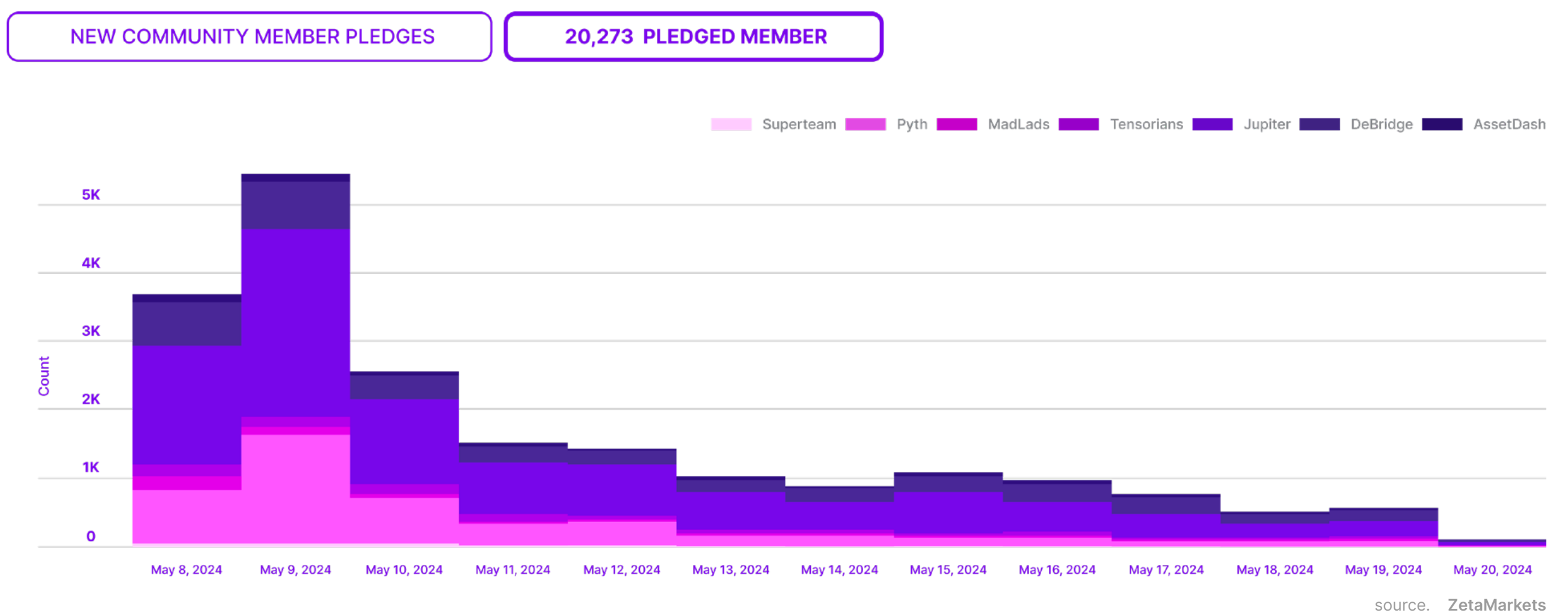
EXPLODING GROWTH

Zeta is currently in the midst of a period of white-hot growth, after making waves with a series of big announcements and events this spring. After the April 2024 announcement that it plans to launch Solana’s first-ever L2, the company made steady progress towards \$Z’s release. An airdrop competition followed in early May, with details of \$Z’s launch and incentives unveiled at the end.

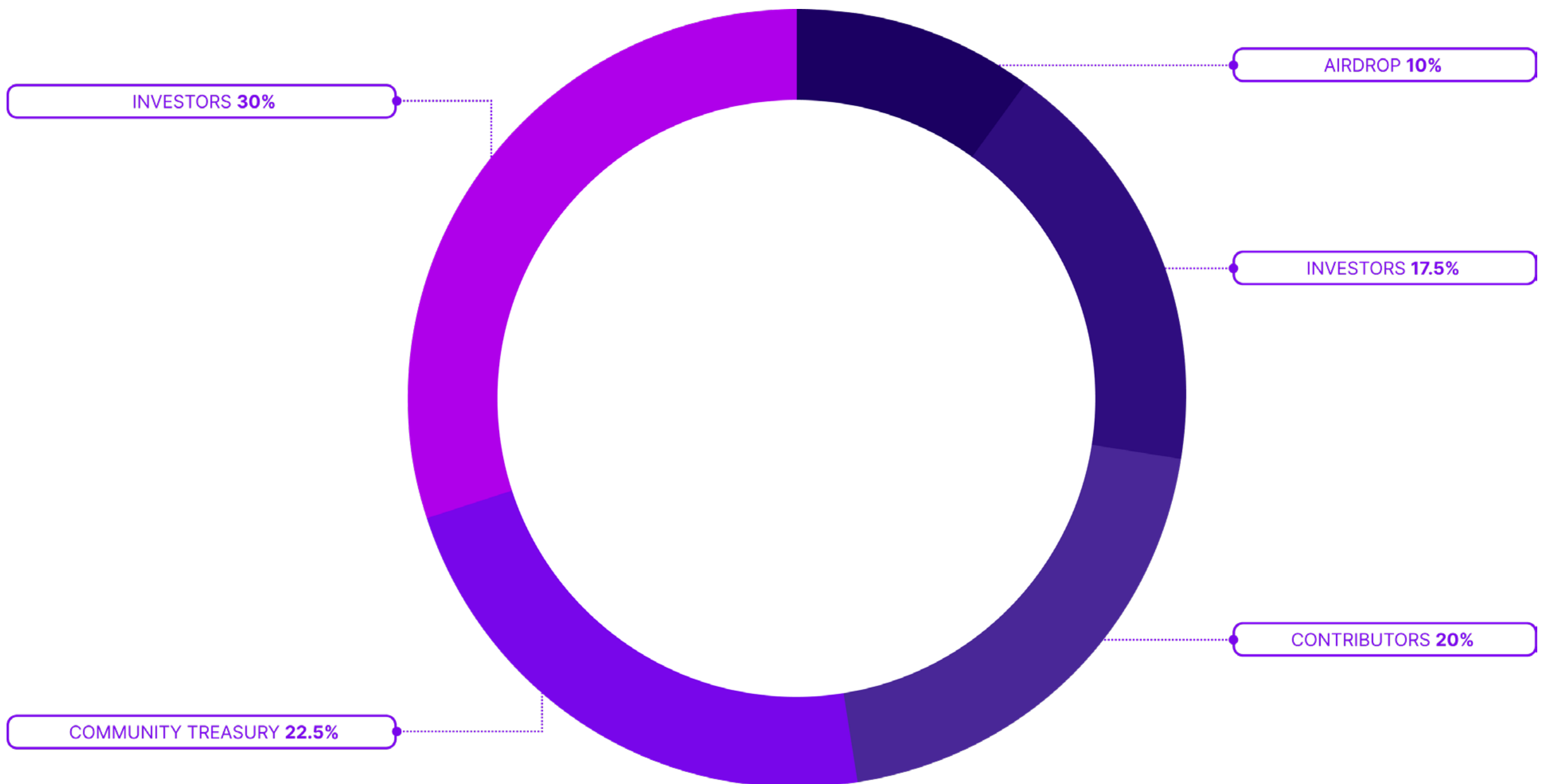
The airdrop competition kicked off on May 8, bringing top derivatives players from across the industry. More than 20,000 users participated, including Pyth, Jupiter, and other prominent community members. Of these, 40% were retained Zeta users. At the end of the day, Zeta clocked more than \$700m in trading volume over the course of the competition.

As the airdrop competition wound down on May 21, Zeta published a release schedule, incentives plans, and vision for \$Z.

GRAPH 5. ZETA MARKETS / \$Z COMMUNITY AIRDROP COMPETITION



GRAPH 6. \$Z TOKEN DISTRIBUTION



At the TGE and subsequent weeks, the following unlocks will occur: An initial airdrop will see 8% of the \$Z supply distributed to traders, with loyalty boosts for early users. Initial stakers of \$Z will qualify for a 2% additional airdrop, issued in the form of staked \$Z 1 epoch (28 days) after the TGE.

According to Zeta's release schedule, platform incentives will be exclusively dedicated to traders and distributed based on the Z-Score accrued in each epoch (28 days). Epoch 1 starts as soon as the airdrop snapshot is taken. The emission rate will gradually decrease as the protocol moves toward self-sufficiency. Traders who also stake \$Z will get boosted incentives, in addition to gaining governance rights, a longer staking equates to more say in the protocol and receiving more token rewards.

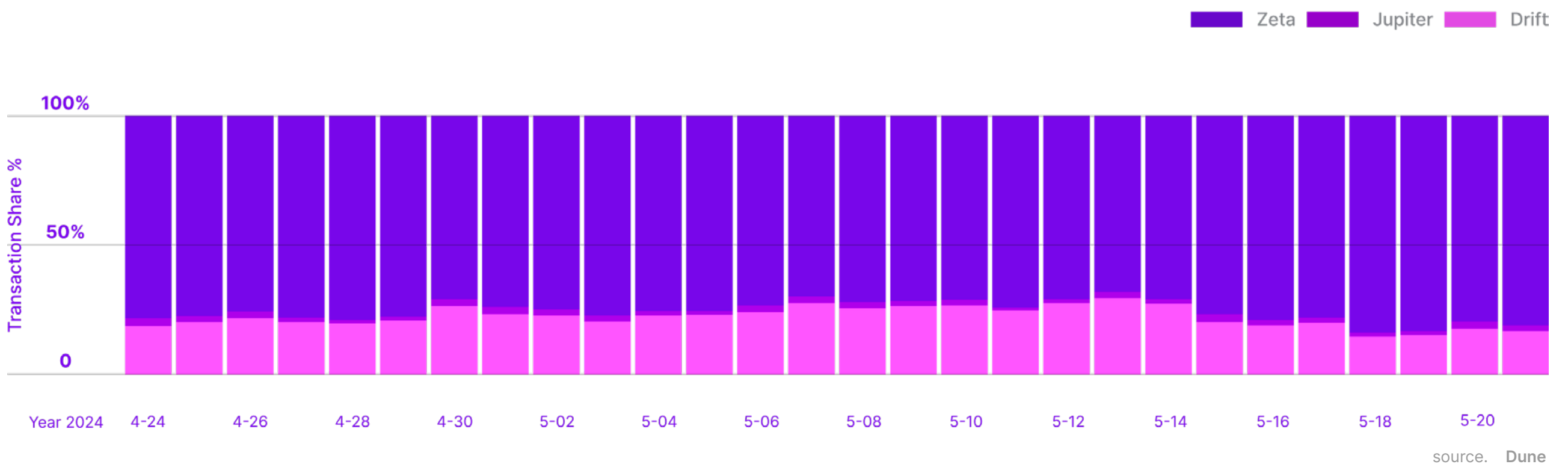
Immediately after the snapshot, an additional 30% over 90 months will be earmarked with platform incentives for traders. The Community Treasury will receive 22.5% unlocked over 24 months to fund multi-year growth initiatives such as Zeta's Ambassador Grant and Creators Grant.

This laser-sharp focus on boosting activity and gaining market share has seen Zeta's market activity soar. The platform's active user count has quickly climbed over the past six months, totalling 115,000 desktop and mobile users in the month of April. Users' confidence in the protocol is evident; in early

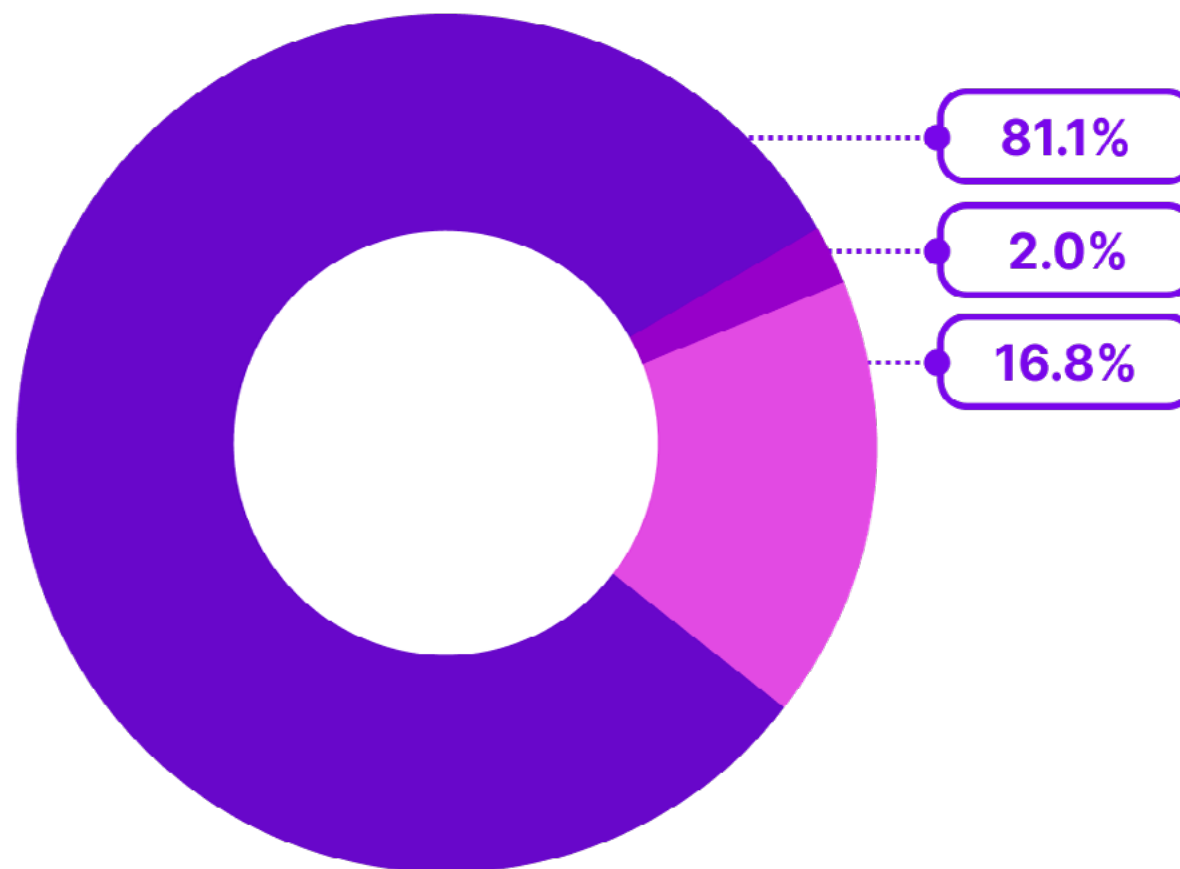
May, the company announced its community had referred \$1bn in volume in just two months.

The rise in activity is evident on Zeta’s dashboard metrics; almost \$8bn worth of trading volume has taken place across 6.6m trades on the platform. Zeta now accounts for more than 20% of Solana’s derivatives market volume, having reached a high of 55% in May.

GRAPH 7. SOLANA PERPS TRANSACTIONS



DETAIL GRAPH 7. SOLANA PERPS TRANSACTIONS PERCENTAGE



NEXT STEPS

A perpetual DEX's performance improves when using L2 architecture. because L2s offload some of the computational burden from the main chain, increasing speed and reducing congestion without compromising security.

L2 rollups operate in a similar context, aggregating and processing transactions offchain before sending them back. A scaling technique, rollups reduce congestion on the main chain, minimise gas fees, and increase throughput, enabling Solana to handle large volumes of transactions without compromising speed or cost.

Zeta is actively working on its Layer 2 and expects the testnet to go live by Q4 2024. Launching a Solana DEX rollup would create a platform that can meaningfully challenge the dominance of CEXs. It would achieve the speed and liquidity of a centralised alternative while retaining all the benefits of Solana L1, namely self-custody and security. A Solana DEX rollup is the key to building a central perpetual exchange 'killer'.

Therein lies an answer to the call. Zeta X (ZX) is an upcoming derivatives exchange built on Solana's first roll-up, leveraging the network's layer 1 for settlements and data availability.

This breakthrough innovation is being developed with the Sovereign SDK, an open-source toolkit for building asynchronously proven zero-knowledge (zk) rollups. These rollups execute transactions offchain in batches and do not require immediate onchain verification. Instead, they process these transactions in parallel with reduced latency, creating a low-cost and efficient user experience. With ZX, Zeta aims to rival top CEXs in speed and liquidity while adhering to DeFi principles of transparency and security.

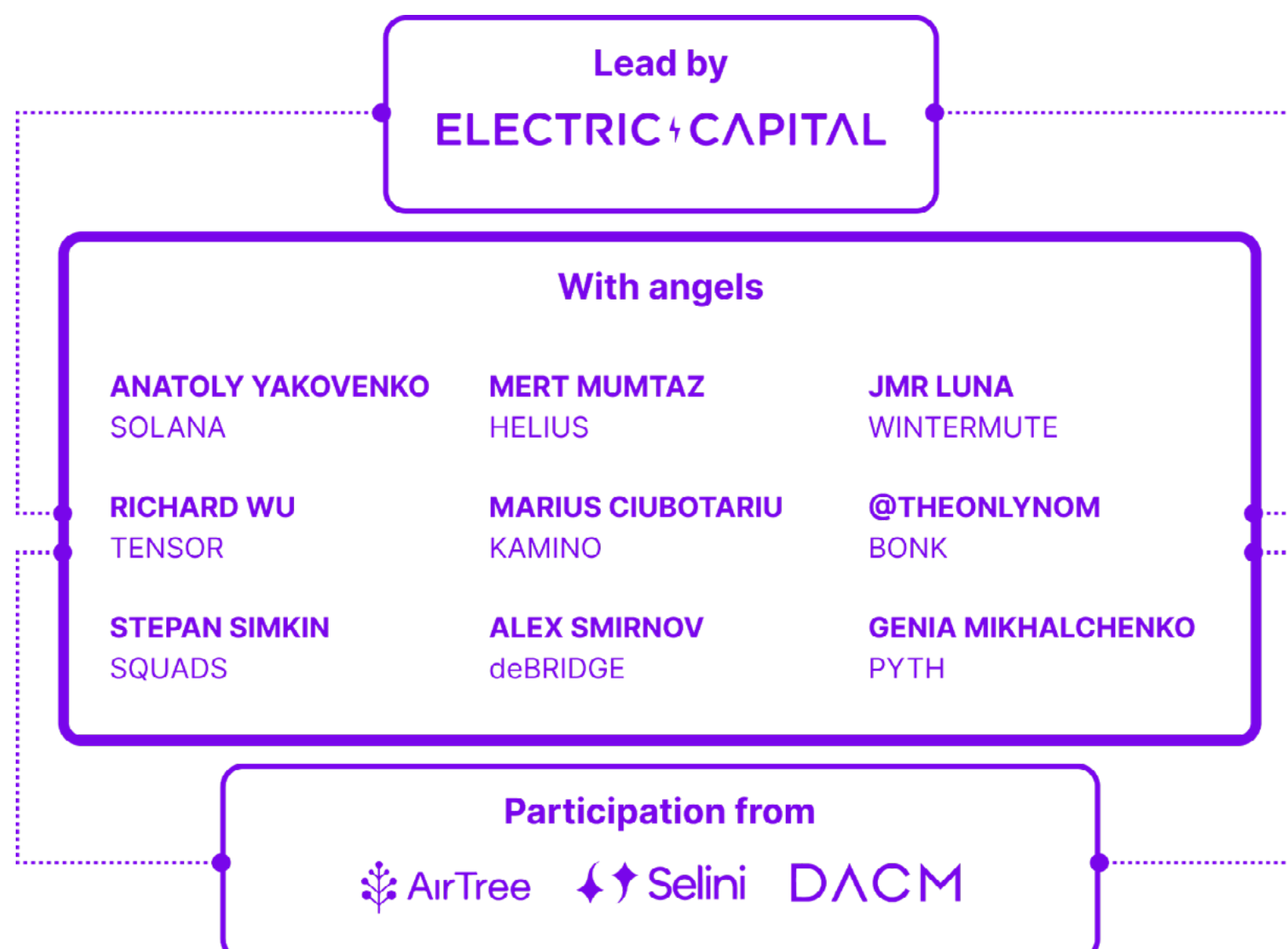
PROBLEM SOLVING

Solana suffers from latency and congestion issues. But its architecture hides another problem: market makers (MM) must sift through non-deterministic order placements that might not hit the books until half a minute later.

This means when MMs place an order, the exact outcome is uncertain because the order in which transactions are processed can change. This leads to mismatches between order placement and actual execution.

ZX solves these problems using its offchain zk Virtual Machine-compatible matching engine, eliminating mismatched prices. This matching engine can support up to *10,000 tps with lightning-fast latency between three to five milliseconds.

GRAPH 8. ZETA STRATEGIC \$5M FUNDING ROUND

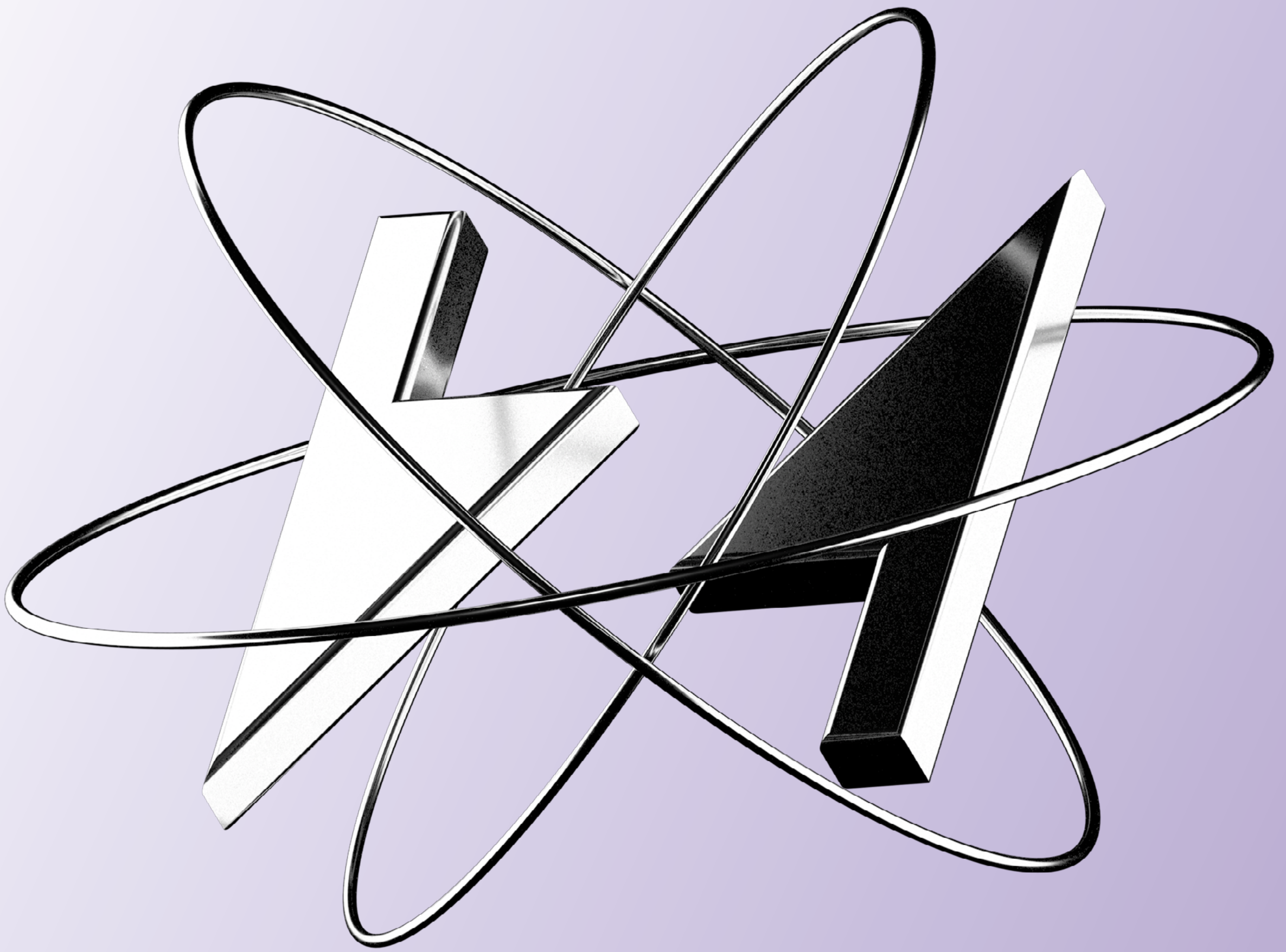


Zeta's new product is a leap that positions the platform as a direct challenger to CEXs, providing ready access to a transparent, trustworthy DeFi alternative capable of matching their liquidity and speed. If Zeta can successfully attract high numbers of perpetual contract traders to the platform — and the level of engagement from its current community suggests it can — then it will have the scale to issue a meaningful challenge to centralised options.

There's still some way to go before its Solana DEX rollup launch — keep an eye out for ZX's testnet launch in the third quarter of 2024. Still, many promising things are happening in the Zeta camp that make it worth considering, especially for traders seeking innovation, security, and reliability.

Perhaps that's why, amidst the flurry of May activity, Zeta announced it had closed a \$5m strategic funding round led by Electric Capital, bringing total capital raised to \$13.5m. Investors, it seems, are also taking note.





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