Summary

Bitshares is an exchange that requires liquidity to generate profits and a larger user base. We have up until now, poorly managed our partnerships with those that provide liquidity to the underlying BTS market and to the bitasset markets. It is necessary that going forward we have a well organized team that can maintain relationships with liquidity providers as well as generate new sources of liquidity for internal markets. I am reaching out to the community to see if there are any other members that would like to help in this endeavor.

Learning from Mistakes

For the most part, everyone wanted Bitshares 2.0 to be launched as quickly as possible. Some people needed the upgrade in order to use the platform, while others just wanted to see a more marketable product that might change the direction of the BTS price. In our haste to get a product out quickly we forgot about the central service that Bitshares seeks to provide: a blockchain based exchange platform that can compete against centralized platforms. The most crucial factor to reach that end, is the maintenance and growth of liquidity on the exchange.

Without liquidity, it doesn't matter how good the code is or how much effort we put into marketing and referrals, people simply will not use this platform. This is one of the reason the BTS price has languished, particularly since the upgrade.

Upon upgrading, we didn't consider the importance of having liquidity providers simultaneously upgrading as well. We lost our exposure to the chinese market, which has recently increased their appetite for Bitcoin and other cryptocurrencies traded on chinese exchanges. We lost our main sources of external liquidity for bitassets. Consequently, there is very little trading volume on the internal exchange.

Going Forward

Understanding that exchanges and gateways are our implicit partners, we should manage those relationships accordingly. Our business operations are adversely affected by exchanges going down or failing to upgrade with a continually changing API. In order to maintain these relationships, we need dedicated teams that are actively communicating with exchanges, gateways and market makers. Furthermore, we need to actively seek out new relationships with liquidity providers.

The Exchange Business Management Team

I would like to spearhead the assembly of an Exchange Business Management (EBM) team, the goal of which is to maintain and grow liquidity on the Bitshares exchange. To do this we need to publicly coordinate our relationship with exchanges, gateways and bridges. Once these relationships are established we need to encourage and incentivize exchanges to transition to gateways and bridges that provide liquidity on the internal exchange. Furthermore, we need to encourage these gateways to accept bitassets at face value (with a small fee) so that we can centralize liquidity into a few a markets rather than many disparate markets that overcomplicate the Bitshares trading experience.The last role of the EBM team would be to incentivize market makers to provide liquidity on the internal exchange.

The following is a list of our current liquidity sources and the level of integration they have with the bitshares exchange:

Exchange	BTS Market	Bitasset Markets	Gateway	Bridge	Goal
Blocktrades	Yes	No	Yes	No	Get Blocktrade to provide bridge for BTC / BitBTC market.
BTC38	Yes	No	No	No	Get Btc38 to issue a UIA, BTC38.CNY, that is accepted means of deposit and withdrawal. Get Btc38 to allow for withdrawals of BitCNY.
Bittrex	Yes	No	No	No	Get Bittrex to open up bitasset markets on their platform.
CCEDK	Yes	Yes	Yes	No	Get CCEDK to provide fiat gateway (primarily for USD) as well as fiat to bitasset bridge.
Metaexchange	Yes	No	Yes	No	Get Metaexchange to provide bridge services.
Poloniex	Yes	No	No	No	Get Poloniex to integrate BitCNY and BitUSD.
Transwiser	No	Yes	Yes	Yes	Get Transwiser to to facilitate the deposit and withdrawal process of BitCNY on Yunbi as well as withdrawal process of BitCNY from Btc38. Get Transwiser integrated into bitshares deposit and withdrawals page.

Yunbi	Yes	Yes	No	No	Get Yunbi to issue UIA, YUNBI.CNY as well as accept deposits and withdrawals of BitCNY as CNY.

Blocktrades

Blocktrades is an exchange for BTS / BTC market while also providing a gateway for BTC and LTC. It allows for high volume (21 BTC) transactions from BTC to BTS. Currently Blocktrades does not act as a bridge for any of the bitasset markets, however, it did provide this functionality prior to the upgrade to Bitshares 2.0. Given that Blocktrades already provides a gateway into Bitshares exchange and has in the past provided bridge services it would make sense for them to provide bridge services going forward, particularly for BTC / BitBTC market.

Goal: Get Blocktrade to provide bridge for BTC / BitBTC market.

BTC38

Btc38 is a chinese based exchange that does more than $1m worth of BTC / CNY volume a day. It is the largest source of BTS / CNY liquidity. Btc38 also allows for CNY deposits with BitCNY, which is facilitated by Transwiser. Prior to the upgrade to Bitshares 2.0, Btc38 allowed for a single deposit limit of 5000 BitCNY and a total deposit limit of 300,000 BitCNY. The user experience of non Chinese traders could be improved if CNY withdrawals were possible.

Btc38 allows for multiple types of CNY deposits, from Ripple gateways and the Transwiser bridge. While these alternative CNY deposits are managed by third parties, it would not be impractical for Btc38 to create a UIA, BTC38.CNY and manage deposits and withdrawals of this promissory note as well. In the event that the Btc38 does not want to directly manage BTC38.CNY deposits and withdrawals, the EBM team could manage this process on their behalf. Getting Btc38 to issue an UIA on the internal exchange would allow Bitshares to more easily capture a share of the Btc38 user base. The introduction of BTC38.CNY should in turn increase the efficiency of all CNY markets on the internal exchange.

Goal: Get Btc38 to issue a UIA, BTC38.CNY, that is accepted means of deposit and withdrawal. Get Btc38 to allow for withdrawals of BitCNY.

Bittrex
Bittrex is a low volume altcoin exchange based in the US. It is a minor source of BTS / BTC liquidity. Bittrex does not allow for fiat deposits and as a result all of its markets are denominated in BTC. Introducing bitassets on their platform would provide Bittrex users with an improved trading experience, allowing them to better manage portfolio risk on the Bittrex platform**.** Additionally, if other exchanges that have fiat deposits and withdrawals issue UIA for those fiat currency's, Bittrex can use those exchanges as their fiat bank and open markets for those fiat IOU's on their platform.

Goal: Get Bittrex to open up bitasset markets on their platform.

CCEDK
CCEDK is a danish based altcoin exchange that produces about 15% of BTS/BTC daily trading volume. CCEDK has bitasset markets, but none of those markets have any liquidity. It is also a gateway for BTC, LTC nd. Given that CCEDK's entire trading volume comes from the BTS/BTC market it would make more sense for CCEDK to primarily provide a gateway functionality in the same way that Blocktrades does. The one advantage that CCEDK has over Blocktrades is that it accepts fiat deposits and withdrawals using SWIFT bank transfers and PAYEER. If CCEDK provided a fiat gateway for USD, BitUSD markets would be more efficient, reducing the spread and the premium of BitUSD over USD. Additionally, exchanges that trade entirely in crypto currencies because of the cost associated with holding fiat currency on others behalf can provide fiat deposits and trading through CCEDK.USD.

Goal: Get CCEDK to provide fiat gateway (primarily for USD) as well as fiat to bitasset bridge.

Metaexchange
Metaexchange is a BTC exchange for BTS, NXT and ETH. It is also a bitshares gateway for BTC, ETH and NXT. In the past Metaexchange has been a bridge for bitassets, but given current liquidity constraints it has not provided these services since the 2.0 upgrade. Going forward it would be beneficial to have Metaexchange act as bridge as well since the more bridges there are the more centralization and liquidity there will be in bitassets markets.

Goal: Get Metaexchange to provide bridge services.

Poloniex
Poloniex is an altcoin exchange that provides the largest source of BTS liquidity. For the most part its markets are denominated in BTC, however, it has recently integrated Tether USD (USDT) which allows users to better manage their portfolio risk on Poloniex. The USDT

markets are not a substantial point of volume, but it provides the only stable currency traded on the exchange.

Since Poloniex is a US based company and must comply with costly money transmitting regulations it is far easier for them to use stable crypto currencies to provide crypto to fiat exchange. BitUSD is an alternative solution that can be used to circumvent costly regulations while also providing a trading experience comparable to larger exchanges that have fiat deposits.

USDT does have several advantages over BitUSD at the moment. USDT is pegged at $1 while the price of BitUSD fluctuates with the market (this can be solved by getting more liquidity into the BitUSD market through bridges like Transwiser). The other advantage that USDT has is that it is already used on other exchanges, Bitfinex, being the major exchange that supports USDT. It would not be difficult for Poloniex to support BitUSD. At the moment, however, it might not provide any advantages over USDT except for faster payment confirmation.

BitCNY could provide many advantages over USDT. Firstly, BitCNY is pegged by the market to the value of CNY. It is our most liquid bitasset, considering both internal and external liquidity. BitCNY would provide poloniex with an additional fiat currency that could be traded against on their platform, one that tether does not support. Additionally, BitCNY would also give Poloniex exposure to the chinese markets and more easily capture a share of Btc38 and Yunbi users who would like to use margin trading but cannot because these services are not offered on either of these exchanges. In the same way that USDT connects Poloniex exchanges like Bitfinex and Cryptsy, BitCNY would connect Poloniex to the aforementioned chinese exchanges.

If Poloniex integrates BitCNY it would be trivial to also integrate BitUSD. Having another major exchange trading BitUSD would improve the liquidity and efficiency of the BitUSD markets and further reinforce the peg to USD.

Goal: Get Poloniex to integrate BitCNY and BitUSD.

<u>Transwiser</u>
Transwiser is a CNY gateway and BitCNY bridge. It is the main reason why the BitCNY markets operate as efficiently as they do, since Transwiser accepts a 1 : 1 conversion of CNY to BitCNY. Transwiser is also a gateway that is integrated into Btc38 and facilitates their BitCNY deposits. Transwiser sets a good model for how gateways and exchanges should operate. Going forward we will need a BitUSD/ USD version of Transwiser that can improve the liquidity and efficiency of that market.

Transwiser could improve its business by facilitating the deposit and withdrawal process of BitCNY on Yunbi. It would also be beneficial if Transwiser could support the withdrawal process of BitCNY from Btc38. Additionally, since Transwiser is the only major gateway that is not supported in the web GUI it will be important for us to have them integrated as a deposit and withdrawal option as soon as possible.

Goal: Get Transwiser to to facilitate the deposit and withdrawal process of BitCNY on Yunbi as well as withdrawal process of BitCNY from Btc38. Get Transwiser integrated into bitshares deposit and withdrawals page.

Yunbi

Yunbi is a chinese exchange that contributes substantially to both BTS / CNY and BitCNY / CNY volume. Aside from ETH and BTC, Yunbi primarily trades Bitshares related assets, including Muse and Play. Given that Bitshares is such an integral part of Yunbi's business it would make sense for them to more directly integrate with the Bitshares exchange. As has been suggested for Btc38, it would be beneficial for Yunbi to issue a CNY IOU, YUNBI.CNY that can be used for deposits and withdrawals of CNY on Yunbi. Additionally, given the depth of the BitCNY and CNY market, the user experience could be improved by simply using BitCNY as a deposit option.

Goal: Get Yunbi to issue UIA, YUNBI.CNY as well as accept deposits and withdrawals of BitCNY as CNY.