Office Hour

Our current plans are to launch Integral SIZE on Arbitrum mainnet next week. We just recently made the testnet available after we had finished deploying our upgrades to SIZE smart contracts. The reason we waited a little bit was due to all of the vulnerabilities we have been seeing in the industry recently. We wanted the upgraded version of SIZE to sit on mainnet for a while before we began with all of this on Arbitrum. The time has come and we are very excited.

I would say this is the second largest checkpoint for SIZE. The first one is of course our launch back in March. And then it's the arbitrum version. We have a lot to share about this arbitrum version, which I will do later. And the third is security. Like I just said, there are vulnerabilities going on around this industry. Just yesterday, Mango, the leading liquidity protocol on Solana, was drained for hundreds of millions of dollars. Times like these are great opportunities to go back and purge your metamasks of any dapps you may have granted permission to. This is an easyway to to stay safe and cautious in this turbulent time. The last topic I want to talk about in this office hour is TribeDAO, the DAO behind FEI protocol. They are currently winding down and selling off assets in their treasury, which is a great use case for our product. We have a two part blog post talking about this, but basically, It's not very easy and efficient with the current infrastructure and lots of protocols cannot really serve certain needs. So yeah, I'll talk about this topic more later.

Product

So yeah, this is our overview for the last two or three weeks about what we've been doing and we've been looking at without further ado, I will dive into the team progress as I said, the product team has been working on two major features of Integral SIZE. The first is of course, Arbitrum, and aftermaths of hard work, I'm glad to share that currently the testnet version of Integral SIZE is live on Arbitrum. This removes a lot of friction for our user onboarding, which the biggest thing, of course, is the gas fee. We all know that it's way cheaper to trade on a layer two like Arbitrum compared to mainnet of course. We expect to launch the mainnet version of arbitrum next week. So this is the biggest project that our developers has been working on. And we are grateful if you could help us test it and provide your feedback. It could be anything, it could be the UI, it could be the SC, or it could be the system design, etc… Also if you happen to know any whales or DAO's that have already started using Arbitrum but are disturbed with the liquidity, we hope you could recommend our product to them because for an layer two network that does not have as much liquidity, this leads to high price impacts for the trades.

The other important project that the product team has been working on is the atomic relayer. I think I shared a bunch of teasers about this feature. The atomic relayer is a layer on top of Integral SIZE that gives us the ability to have these RFQ models so that we can return price information to aggregators and other protocols to query our liquidity pool. We have received a lot of criticism about being non-atomic, which makes it very hard for us to get integrated to get into aggregators like 1inch, or restricts our composability which is one of the most important features for DeFi apps. This atomic layer will solve this problem.

So at the moment our dev team has been passing, preparing integration solutions for some of the biggest aggregators out there like paraswap, 0x and hashflow. At the same time, we are working with some emerging aggregators like Li.Fi, like Odos, .XYZ, which happens to be in the top seven most used dapps on the Arbitrum network. This is what we've been working on with the atomic relayer, and we hope that this will be the last big project that we will be working on in 2022.

Based on some tests we have ran, our relayer was able to provide a better price quote to aggregators 10-11% of the time. This means that we can essentially capture 10-12% of the volume from 1inch, given that we have the liquidity, which is very tweakable.

Marketing

The marketing team has been preparing for the Arbitrum launch for quite some time. I'd like to share with you what we will be doing for this launch on Arbitrum. We have been working with some influencers, Nicholas Merten from Data Dash, Jack Niewold from Crypto Pragmatist, Kevin Ting from CoinInsider. Each of them have made a very in depth overview of the product and what we bring to Arbitrum.Our collaboration with Nicholas Merton is a quarterly contract. So he's going to produce not only one video, but two or three and also some outros for us in the next three months. So this is what we've been preparing for marketing for Integral SIZE.

And just today we finished a Twitter space with coinstats. In case you haven't heard about them. Coinstats is a token hub platform very similar to blockfolio or zerion, which allows you to track your DeFi positions and tokens. They have 800,000 daily active users and we were honored to get invited to talk on their Twitter space to introduce our product as well as you know the multiple key things that we target within defi which is price impact and slippage.

And for the Arbitrum launch, we are also preparing a bunch of new events. You can expect trade competitions, extra reward for our pools on Arbitrum and an NFT giveaway. And also we are integrating with another quest platform similar to dappback called quest3. They're building a customized API for us so that we can monitor if a new users uses Integral SIZE to trade or provide liquidity so that we can give them proper reward. Yeah, so this is basically this is the marketing that we have prepared for the arbitration launch. If you're an active member of a DAO, or if you are active member of trader oriented telegram group, and you know, you like our product and you want more people to know about this, make sure to reach out and we're happy to just drop by your discord or your telegram, you know, to have a small chat.

And we want to finish building this atomic layer thing by the end of the year. So that we will and we definitely hope that this atomic relayer will help us go through, you know, this pre PMF phase of our product and get us you know, stable daily volume every day There is a very interesting trend that I'm witnessing recently is that there are more and more aggregators coming out. This brings very fresh air to this industry. Six months ago, when we talk about aggregators, everyone's talking about 1inch, paraswap, 0x, and so on, but recently there are a lot of new names. And I would say in order to differentiate themselves with the big three, these new players are more open minded about integrating unorthodoxy or different types of liquidity like us. In fact, some of the operators expressed the interest of not only integrating with our atomic layer but also the non atomic part of our product which is the 30 minute TWAP. Which is really cool. I really like you know, although it's a bear market, I feel like Bulls are energetic, and people are willing to try new stuff. So yeah, this is amazing. And we feel the same vibe from the conference's that we went to. So as the closing remark, basically I'd like to share some new thoughts about why we spend so much time on Arbitrum.

I think first of all, regarding Ethereum mainnet, we just feel like it's not really built for end users. It's more like it's built for bots and built for smart contracts, but it's not very user friendly for end users. When I refer to end users, I am not referring to you and I, but rather people that have yet to be onboarded to crypto. There are 400,000 people in the world, like you and me who have a metamask and who interact with uniswap. And Ethereum mainnet is definitely not built for them because it's not very easy to use. So we believe in layer two but right now layer two solutions like Arbitrum have much less liquidity than mainnet. When you compare liquidity of uniswap let's say, the Ethereum mainnet version has $3.5 billion in TVL. Arbitrum has 62 million in TVL, And optimism has 35 million TVL. So you see that is like a six time difference between Ethereum mainnet and other two versions of uniswap. And this definitely restricts our two use cases because without deep liquidity decks on LT can only sell small retail level trades.

I just heard a very interesting number from an executive from Kucoin. Basically 65% of the volume of coin is from enterprise customers, like so called institutional level customers and 20% to 25% of this is done by retail. like I said, without deep liquidity Dexes an l2 can only serve small retail level trades. And when a pro trader, whale, or DAO tries to submit a big order they will lose a lot from pricing impact. Like let's say in Arbitrum a swap from one ETH to USDC will incur 0.5% 0.7% price impact and on mainnet only orders bigger than 10 ETH will see these

levels of price impact. And we believe in layer two we don't just want we don't want it to become you know this this tier two network that can only support retail level trades.
By bringing SIZE to Arbitrum, we hope to enable the high profile L2 solution to handle large crypto trades as efficiently as mainnet and make Arbitrum more attractive to pro traders institutions and DAO’s.

I would say most innovations in crypto still happen on ethereum. So basically the competition in the competition in arbitrum dexs is not that intense when compared to ethereums. We actually have a number of firsts in the arbitrum ecosystem. We are the first dex to offer TWAP executions and zero price impact trading, as well as 0 MEV and IL for liquidity providers. We want to bring this state of art product to the arbitrum network, and to make more people to realize the beauty of L two, the efficiency of L two, and, you know, make it more scalable.

Some of the latest news from offchain labs, the parent company of Arbitrum, they just acquired prism, which is one of the most used software of post merge ethereum nodes. And we are so happy for them and we're glad that we picked them as our first L2 solutions and definitely will keep exploring the possibility of migrating SIZE to different L2’s and currently, the next most hopeful candidate is optimism. But of course we will share more information when have more solid thoughts on that.

For today's Office Hour closing remark I'd like to share a very interesting history of finance lessons I had during the Messari mainnet events. There are two things that I find so interesting. The first is I was listening to a panel called institutions, like DeFi institutions we know like there are tons of conversations going on. I don't know why but this topic has been silent in the last six to 12 months, but recently it just got rediscovered again. And so I went to the panel, and I listened to people repeating the same words that they've been speaking for the last two years. Institutions have not really changed their attitudes about DeFi, especially after Celsius and three AC, they just become more cautious. Everyon is saying the same thing, like they did in 2020 and 2021. It's like, oh, it's very interesting, but there are a lot of compliance and regulatory issues.

As someone who works in this niche market, I feel a bit angry because we're not doing well enough to attract these potential clients to use our product, not just our product, even aave, uniswap, compound etc… Then I started thinking why, and then I heard someone who's a veteran trader share his experience to us. He shared the brief history about how stock trading became electronic in 1990s. This was cutting edge technology back then. And this particular technology drives the spread, that often gets spread down like 9%. And the result is that it increases the volume by like 15 times more. This is what happened in the 90s. To put these two stories together, I think it's very obvious why institutions are not coming.

The trading cost is still very high in DeFi. We have transaction costs like price impact and slippage. We have some hidden costs such as MEV attacks. Suppose you trade 100 times and once in every 100 trades you are exposed to MEV, those are the hidden costs to you. And of course, there are other hidden costs but although defi makes a lot of people a lot of money it's still very expensive to use.

Here at Integral, we start by offering 0 price impact, and to put it another way it is to lower the spread. We want to eliminate these transactions costs which are price impact and slippage. We have also spent a while figuring out the best MEV protection strategy. The biggest thing we are trying to accomplish is making trades cheaper, not only the transaction costs but the risks you face of being attacked as well.

There's really nothing we can do about the crypto market being volatile. If you are a trader this is the question you should be thinking about. Here at integral we want to build infrastructure that makes trading cheaper, because history has taught us that if you do this, the volume will come. And we have a lot of confidence in that. Yeah, so this is it for today's session, and I hope each one of you has a good week and the weather it's getting cold so make sure to stay warm. All right. Bye, guys.