David Zimmerman
Senior Analyst

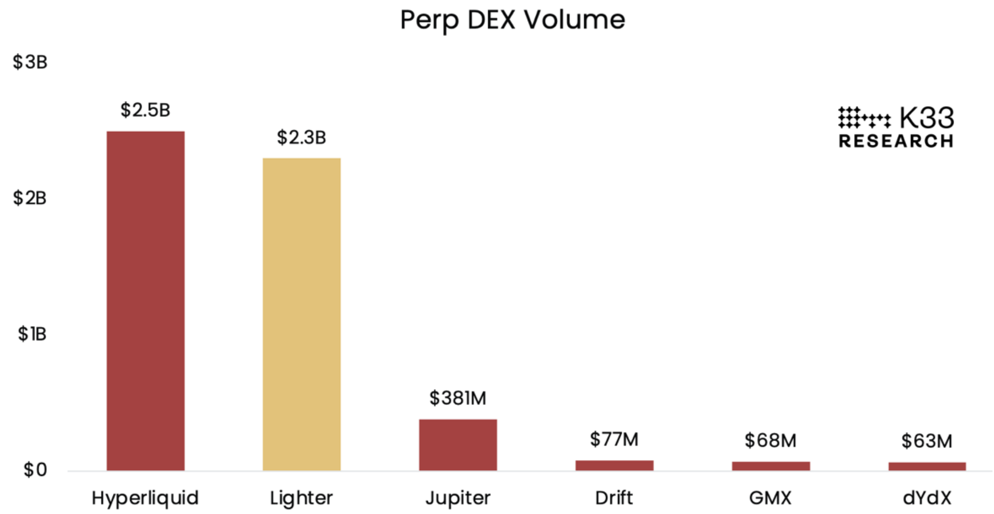
Lighter: Revolutionary Perp DEX or Points Pump?

TLDR

- Lighter is a zk-powered perp DEX that recently surged past $2 billion in daily volume while still in closed beta, drawing attention as a potential challenger to Hyperliquid.
- Lighter aims to offer CEX-level performance via a custom matching and liquidation engine through its custom zk-rollup architecture.
- The Lighter Liquidity Pool (LLP) powers much of the platform's trading activity and offers high, albeit volatile, APRs (200%+), with a current allocation cap of 25%.
- Innovative features to come include LLP margin utility, allowing users to both earn yield and trade using the same capital - something Hyperliquid does not currently offer.
- Skepticism surrounds Lighter's volume metrics, with a high volume/open interest ratio of around 27 at the time of writing, suggesting wash trading or incentive-driven activity.
- We believe Lighter's growth is inflated by points farming, with undisclosed rewards criteria, early access to points farming for closed beta participants, and VC backing raising concerns about insider advantages.
- Despite the criticism, early users report a positive experience, and Lighter is seen as a promising entrant that doesn't need to "beat" Hyperliquid to succeed. For on-chain traders, Lighter offers zero fees and strong incentives, making it a worthwhile venue to test.

Perp DEX Arena Has A New Challenger

In the evolving world of on-chain perp DEXs, competition is intensifying. Hyperqliuid is of course front-and-centre in this area, however, there is a new contender rising up that has surged to over $2 billion in daily volume – Lighter.



Lighter is a zk-powered perp DEX that is going after an increasingly competitive sector as teams largely operate in Hyperliquid's shadow. As such, Lighter's rise has garnered attention. While some celebrate new competition for Hyperliquid following the recent JELLY controversy, critics question whether Lighter's stats have true robustness due to heavy incentives.

Despite the criticism, however, Lighter's tech, team, zero-fee structure, and early traction suggest it may deserve a closer look. Today we aim to evaluate Lighter's position as a new contender in the perp DEX arena and consider the real-world practical takeaway for users active in DeFi.

What Is Lighter?

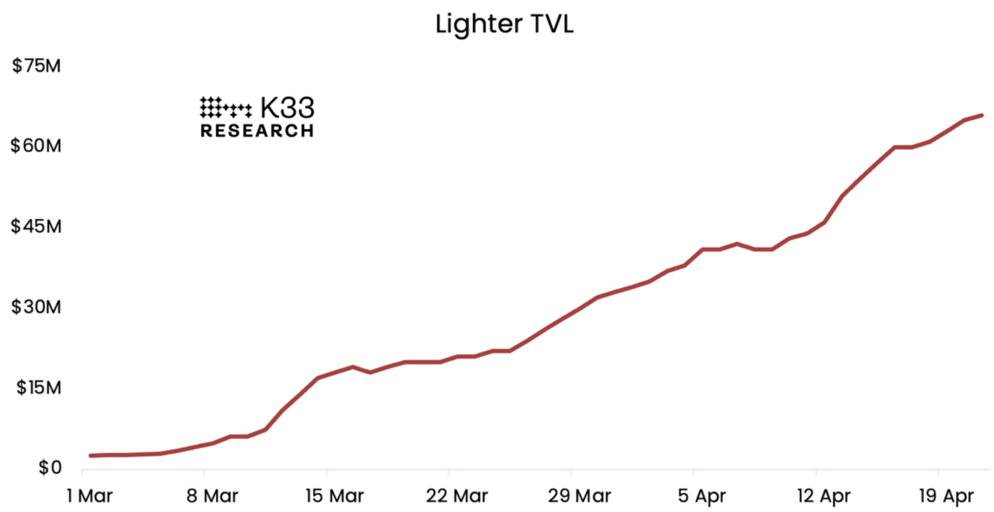
Launched in private beta in late January, Lighter is a high-performance perp DEX powered by a custom zk-rollup. Lighter's proprietary execution environment has a familiar goal - deliver CEX-level performance on-chain. The founder, Vladimir Novakovski, has a background in AI and high-frequency trading, and the project is backed by big players such as a16z and Lightspeed Ventures. Lighter offers zero fees for the average retail trader, as Novakovski believes it makes more sense for the platform to monetize institutional traders executing high-frequency trading strategies.

At the centre of Lighter's protocol is the Lighter Liquidity Pool (LLP) — a vault running a market-making strategy, similar to Hyperliquid's HLP. Users deposit capital into LLP, and the pool uses it to quote and fill perp trades. At the time of writing, the LLP is yielding APRs in excess of 200%, although these rates are very volatile and far from guaranteed. Recently, the allocation ratio to LLP was reduced from 50% to 25% due to oversubscription.

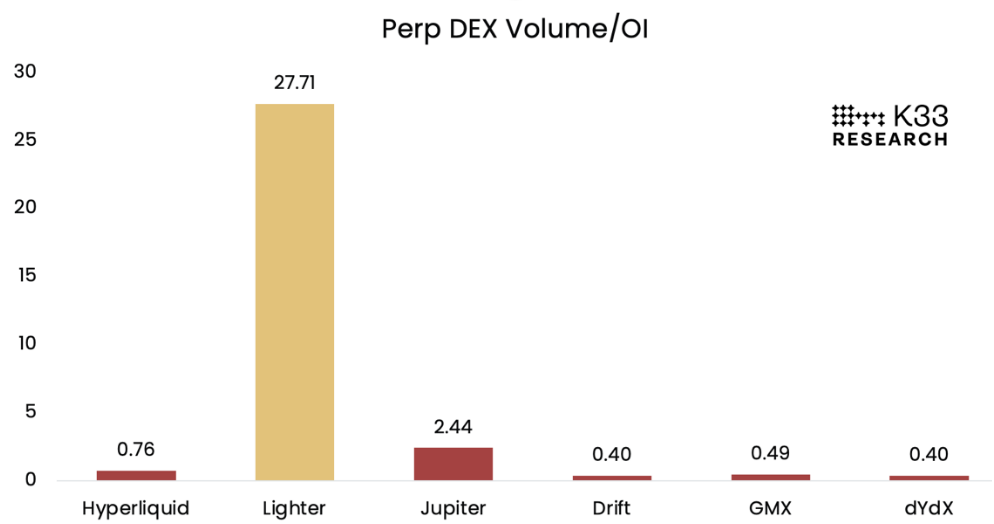
Currently in closed beta, there are some new highly anticipated features on the way (beyond the public rollout in the coming weeks). One such feature will allow LLP positions to be used as margin, enabling users to earn yield while trading with that capital. This dual utility is an innovative twist not currently available on most DEXs, including Hyperliquid. Lighter also operates its own purpose-built zk-rollup designed to scale efficiently, which opens the door for a multi-chain future.

Is Lighter Better?

Recent stats paint an impressive picture at first glance - Lighter has reached over $2 billion in daily trading volume and the protocol has seen a steady rise in TVL from $2.5 million at the beginning of March to $65 million today.



On paper, these are excellent metrics for a new protocol still in closed beta. But a closer look reveals some cause for concern. With open interest at $83 million while the platform sees a whopping $2.3 billion in daily volume, the volume-to-open-interest ratio currently sits at around **27**, compared to Hyperliquid at 0.76, Jupiter at 2.44, Drift at 0.40, GMX at 0.49, and dYdX at 0.40. The general consensus on a healthy volume/OI is ≤5, with ratios above 10 being a very strong indicator of wash trading or incentive-driven volume, often associated with protocols running aggressive airdrop or points campaigns.



Lighter's points system is clearly contributing heavily to the platform's seemingly positive figures. In isolation, impressive volume numbers are not enough if there is no substance to back it up. Historically, metrics such as volume and TVL take a massive dive once major inventive campaigns have concluded. Further skepticism comes from its VC backing and limited access. Unlike Hyperliquid, which is public and continues to lead even after the HYPE airdrop, Lighter is still in closed beta with much of the excitement driven by airdrop speculation. The points system has already started for closed beta participants, leading to criticism of insider advantage. In addition, by virtue of the fact that the protocol has not opened to the public yet, Lighter is not battle-tested.

Revolutionary or Points Pump? It Doesn't Matter

Despite the criticism, Lighter has captured the attention of a DeFi community hungry for more CEX alternatives. The protocol offers potential for some genuine innovation, and early reports of user experience, albeit from the closed beta, have been positive. The technology stack, founder credibility, and growth in TVL suggest it may be more than just a farm-and-dump.

In any case, Lighter does not have to overtake Hyperliquid to succeed. The perp DEX space is not winner-take-all. Hyperliquid has shown the market that on-chain perp platforms can provide a UX equivalent to that which CEX's provide, and having multiple viable perp DEXs can be a net win for the space. For traders, especially as Lighter opens up for public access in the coming weeks, **access to zero fees and generous incentives** can be extremely valuable. Even if liquidity is thin in some markets relative to other venues, limit orders and smart execution can still make trading on Lighter worthwhile.

In a market that is becoming increasingly difficult to trade, it makes no sense to have allegiance to certain brands if there are clear financial incentives to take at least some of your business elsewhere. The perp DEX arena now has another contender worth trying out, even if only while incentives last, and that's a good thing for active on-chain traders.

Disclaimer

- Navigating Narratives (the "Report") by K33 Research is a report focusing on cryptocurrencies, open blockchains and fintech. Information published in the Report aims to spread knowledge and summarise developments in the cryptocurrency market.

- The information contained in this Report, and any information linked through the items contained herein, is for informational purposes only and is not intended to provide sufficient information to form the basis for an investment decision nor the formation of an investment strategy.

- This Report shall not constitute and should not be construed as financial advice, a recommendation for entering into financial transactions/investments, or investment advice, or as a recommendation to engage in investment transactions. You should seek additional information regarding the merits and risks of investing in any cryptocurrency or digital asset before deciding to purchase or sell any such instruments.

- Cryptocurrencies and digital assets are speculative and highly volatile, can become illiquid at any time, and are for investors with a high risk tolerance. Investors in digital assets could lose the entire value of their investment.

- Information contained within the Report is based on sources considered to be reliable, but is not guaranteed to be accurate or complete. Any opinions or estimates expressed herein reflect a judgment made as of the date of publication and are subject to change without notice.

- The information contained in this Report may include or incorporate by reference forward-looking statements, which would include any statements that are not statements of historical fact. No representations or warranties are made as to the accuracy of these forward-looking statements. Any data, charts or analysis herein should not be taken as an indication or guarantee of any future performance.

- Neither Research nor K33 Operations AS provides tax, legal, investment, or accounting advice and this report should not be considered as such. This Report is not intended to provide, and should not be relied on for, tax, legal, investment or accounting advice. Tax laws and regulations are complex and subject to change. To understand the risks you are exposed to, we recommend that you perform your own analysis and seek advice from an independent and approved financial advisor, accountant and lawyer before deciding to take action.

- Neither K33 Research nor K33 Operations AS will have any liability whatsoever for any expenses, losses (both direct and indirect) or damages arising from, or in connection with, the use of information in this Report.

-

- By accessing this Report you confirm you understand and are bound by the terms above.

- K33 Research is a department within K33 Operations AS, org. 994 608 673, and can be contacted at research@k33com or bendik@k33.com