

FTT Whitepaper

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1 Our Mission

FTX is a cryptocurrency derivatives exchange that offers futures, leveraged tokens and OTC trading. Currently, futures exchanges have many crippling flaws holding the space back. Our mission is to solve these problems and move the derivatives space toward becoming institutional grade. We launched FTX in April and already have among the world's most liquid orderbooks. FTX futures have traded more than \$100m per day recently, and FTX OTC has traded another \$30m. Our goal is to become as profitable as Bitmex and OKEx within a year. This is not an easy feat, but we've received overwhelming support from top industry players who have reaffirmed the demand for a well designed derivatives exchange. We want to scale up as quickly as possible and build a community of strong supporters, and so we are conducting a token raise for people who want to help grow FTX.

2 Why Invest? – All-Star Team

FTX was built with a lot of features to differentiate us from our competitors, but its greatest strength lies in the team behind it. We are confident that FTX has massive potential to rise to the top because we have proven time and time again our ability to enter a crowded market, disrupt the status quo and become one of the dominant players. We have consistently demonstrated our ability to innovate, execute and grow rapidly. These qualities have served us well in helping us stay one step ahead of the competition. There is an enormous untapped potential in the derivatives market, and we are excited to repeat our success with FTX. We'd be ecstatic for investors and supporters to join us on this journey.

3 Track Record of Proven Success

3.1 Team Background

We come from leading Wall Street quant funds and tech companies: Jane Street, Optiver, Susquehanna, Facebook and Google. The traditional secondary market is our bread and butter. We have backgrounds in equity derivatives trading; we understand both how derivatives are traditionally designed, and what derivatives there is market demand for.

3.2 Alameda Research

FTX is backed by Alameda Research, a \$100million AUM quantitative cryptocurrency trading firm. Within a year, Alameda Research became the largest liquidity provider and market maker in the space. Alameda trades \$600 million to 1 billion a day, accounts for roughly 5% of global volume and is ranked 2nd on the [BitMEX leaderboard](#).

3.3 OTC

In 2018 we launched an automated [OTC RFQ system](#). In spite of the bear market and competitive OTC landscape, we were able to quickly scale our volume to \$30million per day without much marketing. Because we were able to offer some of the tightest spreads in the industry with fast settlement and no fees, we grew by word of mouth and became a source of liquidity for well known OTC desks and exchanges. We also built a world class portal, with an intuitive UI and API, and an easy to use settlement system. We expect our volumes to grow substantially when we start our marketing efforts. The OTC portal [has been integrated](#) into the FTX ecosystem, driving our OTC counterparties toward FTX.

4 FTX Features

4.1 History

Over the past 1.5 years, we have been one of the largest traders in the futures market. We ran into many problems with current futures exchanges that we believe are preventing the space from becoming sufficiently mature for institutions to trade in. Hoping to improve the ecosystem, we've written countless white papers and given hours of feedback to these exchanges, but to no avail. Finally, we decided to take matters into our own hands and built FTX.

4.2 Features

4.2.1 Preventing Clawbacks

Current futures exchanges have frequent large clawbacks leading to losses in the millions of dollars due to poorly designed risk management systems. FTX significantly reduces the likelihood of clawbacks from ever occurring by using a three-tiered liquidation model.

1. We first close positions down carefully with rate-limited liquidation orders in the market.
2. We have a unique backstop liquidity provider program which jumps in to provide to accounts in danger of bankruptcy.
3. We leverage the insurance fund to prevent customer losses.

See [here](#) for a detailed explanation.

4.2.2 Centralized Collateral Pool + Universal Stablecoin Settlement

With existing futures exchanges, collateral is required to be posted in separate margin accounts for different products (e.g. spot margin trading, futures and etc).

Additionally, the type of collateral required differs depending on what contract is being traded (e.g. Ripple perpetual swaps require XRP to be posted as collateral), resulting in capital being fractured across many different tokens. This makes it cumbersome to rebalance positions (e.g. having to liquidate another token to top up an XRP margin account). And in the case of short positions, this system is particularly counterintuitive since traders must purchase the very token they are intending to short.

Instead of posting collateral in multiple accounts and tokens, FTX uses a system similar to mature traditional futures markets today, whereby traders post collateral in a single currency.

FTX derivatives are stablecoin settled and share collateral in one universal margin wallet. This means that traders can deposit stablecoins as collateral for all derivative products, and their PNL is settled in stablecoins. Stablecoins allow traders to get legitimate USD-based price exposure and settlement, without needing a bank account. Using the same base currency as collateral for all of the contracts also makes it easier to shift positions around.

Side note: However, not all stablecoins are eligible. In order for a stablecoin to be eligible for usage on the FTX platform, it must have proven itself to have a smooth redemption process and consistently trade close to par. Currently, USDC and TUSD are the stablecoins that best fit those requirements.

4.2.3 Non-inverted futures

FTX futures are standard, rather than inverted. This means that they are truly BTC/USD futures and not USD/BTC futures. Thus a user's USD PnL is simply (number of BTC contracts) * (change in price), the orderbook straightforwardly displays a number of BTC futures, and that closing a position just means selling off the number of BTC contracts you own.

4.2.4 Innovative New Product: Leveraged Tokens

Currently, there doesn't exist a way to short or put on leveraged positions on many spot exchanges. Traders have to trade on margin or futures exchanges like Bitfinex, Okex and Bitmex. This can be more complicated for retail traders because they need to deal with funding rates, borrowing costs, and constantly have to monitor their positions to avoid being margin called. Not only that, traders are also exposed to the risk of losing significant funds, especially given high-profile failures of liquidity we've seen on futures exchanges recently.

Leveraged Tokens allow traders to take short or leveraged positions without having to trade on margin or futures exchanges. Say a trader wants to 3x short bitcoin. They can simply buy a 3x short bitcoin leveraged token on FTX. This process is as easy as buying BTC or ETH on a spot exchange. We offer 3x, -1x and -3x leveraged tokens for BTC, ETH, XRP, EOS, USDT, BNB, TRX, LEO, and BCH, and looking to add more in the future. With these tokens, traders

can put on leveraged tokens in a more capital efficient way, requiring none of their assets to be stored in a margin wallet.

Leveraged Tokens are ERC20, which means they can also be listed on other spot exchanges. This enables spot exchanges to offer inverse price action and leverage positions to their customers without needing to implement their own margin trading and liquidation engine.

See [here](#) for whitepaper and [here](#) for a detailed FAQ.

4.2.5 OTC portal

FTX has an embedded [OTC portal](#), powered by Alameda Research. Users can buy and sell coins with the click of a button, accessing Alameda's deep liquidity pool with no fees. Users are already trading \$30m+ per day on the OTC portal.

5 Why FTX is Uniquely Good and Hard to Replicate

FTX is backed by Alameda Research, a thought leader and the largest liquidity provider in the secondary markets. This means:

5.1 Live Product

Unlike many exchanges and projects who are issuing a token raise, our exchange is already live and actually functional.

5.2 Liquidity

FTX is very liquid. It's already more liquid than every other futures exchange in crypto; only the BitMEX BTC perpetual futures are more liquid than FTX. This is really hard to replicate. No new exchanges will be able to, and those around for 5 years have only succeeded at doing it for a single contract.

5.3 Domain Expertise

FTX was designed by people who really know the products. Everything from collateral to maintenance margin to liquidation process to product offering was redesigned from the ground up by the heaviest user of the products.

The liquidation process in particular is very tricky and crucial to get right—see OKEx's clawbacks—and Alameda has spent thousands of hours understanding exactly how these work and how they could be altered to prevent liquidations and clawbacks.

FTX's liquidation process is the best in the class and makes heavy use of Alameda's backing as a backstop market maker—though others are encouraged to become a backstop as well!

5.4 Pioneering New Products

We are the first exchange to offer USDT futures. USDT futures are game changers; there are lots of large crypto firms who desperately need some way to hedge USDT deltas given the historic volatility of Tether. We estimate that there is a demand for something like 00m/day of USDT hedging and right now there's basically no alternative.

The counterparts to Leveraged Tokens in traditional markets are extremely popular. In crypto, this market is completely unexplored. Product design and management for leveraged tokens is tricky but it offers traders and exchanges a huge opportunity.

We foresee many of the current futures exchanges eventually switching to a stablecoin settlement design. Using stablecoins as collateral vastly simplifies the user experience, and also substantially decreases margin requirements and trading costs.

5.5 Strong Network and Reputation

Alameda plays an integral role in the crypto secondary markets. Because of this, Alameda has very strong relationships with existing desks and exchanges (Binance, Okex, Huobi, Circle, Trust Token and etc), and can leverage this to form valuable partnerships. It already has partnership offers from multiple large crypto institutions and exchanges.

5.6 Fast Development Cycle

FTX can leverage Alameda's tech team—an experienced, battle-tested group used to building complex crypto-trading systems under time pressure. This means that our development cycle is much shorter than others; we can roll out multiple large features per day.

Many of these things rely on Alameda's expertise, and that is very hard to replicate elsewhere.

6 Revenue Model

6.1 Exchange Fees

Maker and taker fees are 2bps and 7bps. To become a VIP, an account must trade over a certain volume and/or hold a certain number of FTT.

6.2 Leveraged Token Fees

Creation and redemptions fees are 10bps. Daily management fees are 3bps.

6.3 Other Fees

There will be a different fee structures for new FTX products like options, spot exchange, and margin trading.

6.4 Exemptions

There are no fees for deposit, withdrawal or futures settlement.

6.5 OTC

The OTC portal on FTX trades tens of millions of dollars per day and is quickly growing.

7 Strategies to Acquire Users and Grow Volume

7.1 Conventional PR/Marketing

For many new futures exchanges, the plan to acquire users and drive volume is typically a combination of the following:

- Release PR articles on traditional and established crypto news outlets for English, Chinese and Korean audiences.
- Employ influencers from social apps like Twitter, Reddit, Bitcointalk, Wechat, Kakaotalk, Telegram, Youtube, Medium, etc
- Community Management
- AMA, interviews, ‘ICO reviews’
- Affiliate programs
- Affiliate marketing and SEO
- Hosting meetups
- Bounty programs and Smart airdrops
- Trading competitions

FTX will employ a combination of the above to aggressively expand our brand.

While many new futures exchanges are limited to the conventional strategies listed above, FTX has access to other methods to acquire users and increase volumes effectively:

7.2 FTX OTC - One of the Tightest Spreads in the Industry

Without much marketing, our OTC volumes has been growing quickly. Our OTC desk is recommended by top crypto institutions and exchanges by word of mouth. With more marketing efforts, we are confident that the number of counterparties, large crypto institutions, trading firms and whales, will increase exponentially.

[We've integrated our OTC portal into FTX](#), giving all of our OTC counterparties easy access to derivatives. We estimate that our existing OTC user base account for something like \$350m/day of futures volume. We think we have a pretty good shot at getting at least \$75m/day of that.

7.3 FTX OTC - Stablecoin Fiat Gateway

We have strong relationships with the team behind TUSD and USDC. Through FTX OTC, our counterparties will be able to exchange between USD and TUSD/USDC at size. This is another reason why people will sign up for FTX.

7.4 Partnerships

We have brought on TUSD and USDC to become our stablecoin partners. We are on track to bringing on more strategic partners given our strong connections key players in the crypto primary and secondary market.

7.5 Listing New Leveraged Tokens on FTX

We will be reaching out to projects with huge communities to list their leveraged tokens. For example 10x bnb or tron leveraged tokens.

7.6 Listing Leveraged Tokens on Other Exchanges

We expect leveraged tokens to be listed on other venues within the next month of two. Leveraged tokens achieved their target exposure by buying and selling futures on FTX. Increasing leveraged tokens volume will also increase FTX futures volume. The BTC leveraged tokens are already listed on FTX and ZBG.

7.7 Future Initiatives

In the future we are planning to add options, exchange traded tokens, lending, and spot margin trading to FTX.

8 Token Utility

FTT is the backbone of the FTX ecosystem. We have carefully designed incentive schemes to increase network effects and demand for FTT, and to decrease its circulating supply.

8.1 Increasing FTT Utility

8.1.1 Token Burn

Approximately one third of all fees generated on FTX will be used for an FTT repurchase, for information please click [here](#). Any FTT bought this way will be burned

8.1.2 Collateral

FTT can be used as collateral for futures positions. This increases utility and demand for FTT. The same applies when we launch margin trading in the future.

8.1.3 Discount on Trading Fees

Customers who hold a certain amount of FTT for a period of time will receive lower FTX futures fees. This will further increase demand for FTT. More information please click [here](#).

8.1.4 OTC Rebates

Customers who hold enough FTT will receive rebates from all of their OTC trading on FTX.

8.1.5 OTC Burn

There will be a repurchase and burning of FTT based on OTC volumes and revenue from the FTX OTC portal, powered by Alameda Research.

8.1.6 Socialized Gains

We've performed backtests and live simulations to see how FTX will fare during large market movements. While other futures exchanges suffered from clawbacks, FTX managed to net increase their insurance fund by a sizeable amount thanks to its unique backstop liquidity provider program. For instance, during a recent market move, Okex incurred \$3 million of clawbacks. Meanwhile, our demo simulation which mirrored positions on OKEx demonstrated no clawbacks and a net gain of a million to our insurance fund.

We are confident in FTX's ability to handle endangered accounts and will redistribute a portion of net insurance fund gains to FTT holders.

8.1.7 White Label Solutions

Several crypto institutions have expressed strong interest in purchasing a white label version of our OTC portal and futures exchange. We foresee that this trend will continue when we release other derivatives products like options. These white label solutions can be purchased in FTT.

8.1.8 Future Expansion

FTT is the backbone of the FTX ecosystem. There are many ways FTT will be used as we add more products and features to FTX. For instance, when we launch a spot exchange in the future, FTT will be used for initial exchange offerings.

9 Growth Potential

The top futures exchanges right now (BitMEX, OKEx, and Bitflyer) charge roughly 5bps/trade on roughly \$5b per day of volume, making roughly \$600m/year in revenue. That includes a moderately well designed product with a large existing userbase but no marketing, and two poorly designed ones with large userbases and substantial outreach.

The second tier involves exchanges like Deribit, which has a decent but unimaginative product, no marketing, no userbase, and little liquidity; it trades about \$300m/day and makes about \$100m/year in fees.

We think that FTX will be the most well thought out product among these; in the top tier of liquidity; have more appealing products; have built in flow from large institutional counterparties of ours; and have substantial room to innovate and grow over time. On the other hand it currently does not have a large built-in retail user base or marketing.

FTX has only existed for two months and it is already trading over \$100m/day, putting it in the second tier of derivatives exchanges.

10 Estimated FTX Volume

We are planning to get initial FTX volume from the following sources:

10.1 OTC

Alameda Research trades about \$30m/day OTC through its [RFQ Portal](#). We have recently [integrated the portal into FTX](#) so that all of our counterparties have automatic access for FTX futures markets. Our counterparties trade hundreds of millions of dollars per day of futures, and so we are optimistic that we will be able to generate at least \$50m/day of FTX volume through our counterparties.

10.1.1 Crypto Trading Firms

FTX offers a lot of features that high volume crypto traders have been asking for: stablecoin settlement, portfolio margin, and a way to hedge USDT risk. We are reaching out to all of the major crypto trading firms, and have been getting very positive feedback and begun onboarding clients. We are hoping to get \$50m/day of volume from this initial batch of firms.

10.1.2 Leveraged Tokens

We have been in discussions with spot crypto exchanges about listing leveraged tokens. We believe that at least some will have listed leveraged tokens within the next month or two, giving their users easy access to FTX's futures. We believe this will get at least \$10m/day of FTX volume.

10.1.3 OTC Growth

We are reaching out to more and more firms about our OTC trading and onboarding them to the FTX portal. We hope to double our OTC volumes in the next few months and similarly add another \$25m/day of FTX volume through the new clients.

Because of these we are optimistic that \$250m/day of volume represents a floor for the exchange, with \$5b/day a real possibility. We are also optimistic that the initial growth in FTX volume will quickly encourage most of the top volume futures traders to onboard with the platform and see for themselves what the major advantages of our futures are.

11 In Closing

So far FTX has been offered exclusive partnerships and acquisition interest from various crypto institutions. We have turned down these opportunities because we strongly believe in our ability to make FTX a success. We are excited for you to join us on our journey to becoming a leading derivatives exchange. We are also looking to partner with strategic advisors and investors.