

# FlashMarket: Revolutionizing Prediction Markets on Blast

## Overview

FlashMarket is a cutting-edge peer-to-peer prediction markets exchange built on the Blast blockchain.

While numerous platforms have attempted to challenge Polymarket's dominance in recent months, FlashMarket distinguishes itself by effectively solving the liquidity puzzle – a feat that has eluded its competitors.

It stands out in the crowded field of Polymarket competitors by solving the critical challenge of liquidity while prioritizing user-friendliness and resistance to censorship.

## Types of Prediction Markets: A Comprehensive Comparison

Types	Liquidity + Efficient Price Discovery)	Ease of Use	Censorship Resistant	Predictable Payouts
Orderbook Based Exchange	N	N	N	Y
AMM	N	Y	Y	Y
Fixed Odds Betting	Y	Y	N	Y
PariMutuel	Y	Y	Y	N
FlashMarket (Incentivized Liquidity Optimization Protocol)	Y	Y	Y	Y

### Orderbook Based Exchange:

#### Pros:

- \* Facilitates efficient price discovery.
- \* Supports various order types (market, limit, stop etc) to implement trading strategies.

**Cons:**

- \* Relies on market-makers to provide liquidity. Liquidity begets more liquidity and most prediction markets do not have sufficient volume to attract market makers.
- \* Can be complex for novice users.

## AMM (Automated Market Maker) Based Prediction Markets:

**Pros:**

- \* Provides constant liquidity.
- \* Simpler user interface, often more accessible to casual users.

**Cons:**

- \* Can not function independently as liquidity providers will lose all their money at settlement (the LP will hold all the shares of the losing outcomes).

N.B: Polymarket is a hybrid Orderbook + AMM Exchange. Order matching happens off-chain so it is susceptible to censorship.

## Fixed Odds Betting:

**Pros:**

- \* Simple and easy to understand for most users.
- \* Predictable payouts, which can be attractive to risk-averse users.
- \* Can be more suitable for binary outcome events.
- \* Often preferred in sports and political betting markets.

**Cons:**

- \* Odds are set by bookmakers, lower payouts due to bookmaker's margin and user's can't set their own prices.

## Parimutuel:

**Pros:**

- \* All bets of a particular type are placed together in a pool, fostering a sense of community.
- \* Can handle multiple outcomes efficiently.

**Cons:**

- \* Less attractive for early bettors as odds can change significantly.
- \* May be less efficient for price discovery compared to other methods.

## FlashMarket - Incentivized Liquidity Optimization Protocol:

**Pros:**

- \* Solves the liquidity problem that has plagued other Polymarket competitors.
- \* Novel incentivization and fee system encourages early liquidity providers.

- \* Successfully generates on-chain prediction market liquidity on Blast.
- \* Combines benefits of orderbook efficiency with AMM-like constant liquidity.
- \* Designed for censorship resistance and ease of use.
- \*\* Users can deposit large amounts into the pool without impacting prices.

**Cons:**

- \* As a new system, it may face initial scepticism from traditional prediction market users.
- \* Potential for unforeseen challenges as the system scales.
- \* Dependence on the Blast blockchain ecosystem, which is still evolving.

## FlashMarket's Incentivized Liquidity Optimization Protocol (ILOP)

### The Challenge of Early Liquidity

Parimutuel markets face a significant hurdle: attracting early liquidity. Without initial participants, these markets struggle to gain traction. FlashMarket's Incentivized Liquidity Optimization Protocol (ILOP) offers an innovative solution to this problem.

### How ILOP Works

**1. Early User Incentives:**

- uses a combination of Blast native yield and market fee sharing to reward early participants

**2. Late User Subsidization:**

- Late users who are adding liquidity to an already liquid pool pay fees.
- These fees are used to subsidize and reward the early liquidity providers

**3. All liquidity/bettors get final odds:**

- Unlike fixed AMMs, ILOP protects liquidity providers from losses due to sudden market shifts by settling all participants at the final pool prices.

### ILOP vs Traditional Systems: A Real-World Scenario

Imagine a prediction market for a U.S. presidential election: Trump vs. Kamala Harris

1. **\*\*Initial State\*\*:**

- Kamala Harris is trading at 30% odds to win

2. **\*\*Market Shift\*\*:**

- A new poll favors Harris, suggesting her actual odds are closer to 70%

### 3. **\*\*System Responses\*\***:

- In Polymarket (Order book): Orders get pulled, trading halts
- In AMMs: Liquidity providers face significant losses
- In FlashMarket's ILOP:
  - New participants add to the pool, adjusting odds to 70%
  - Early liquidity providers benefit from the adjusted odds
  - No loss of funds for initial participants from arbitrage.

### **Key Advantages of ILOP**

- **\*\*Arbitrage Protection\*\***: Unlike AMMs, parimutuel markets resist arbitrage exploitation
- **\*\*Fair Odds Reflection\*\***: The system dynamically adjusts to reflect true market sentiment
- **\*\*Liquidity Provider Protection\*\***: Early participants are shielded from losses due to market shifts
- **\*\*Continuous Market Function\*\***: Unlike order book systems, there is ample liquidity during volatile periods.

By addressing the early liquidity challenge and providing robust protection for participants, FlashMarket's ILOP creates a more efficient, fair, and attractive prediction market ecosystem.

## **FlashMarket Mechanism**

---

The FlashMarket protocol will use oracles for:

- a) creation of events
- b) creation of pools for events
- c) providing recommended odds for pool weightings
- d) resolving events

For the V1 contract, where oracles are not readily available on Blast, FlashMarket's assigned operator will be responsible for creating events, pools, providing seed liquidity and resolving events.

FlashMarket Protocol charges a flat 5% fee on all winnings. This fee is split between the market-creator, liquidity rebates and the platform (initially set at 0%).

- Platform - 0%
- Market-Creator - 0.5% (0% if FlashMarket is the creator)
- Liquidity Rebates - 4.5% (5% if FlashMarket is the creator)

Users who initialise a FlashMarket market have to post an initial liquidity of \$X into the pool. The actual amount will vary depending on the popularity of the sport and event. Market creators get 0.5% of the fees from the market they created (unless the creator is FlashMarket, in which case it's 0%).

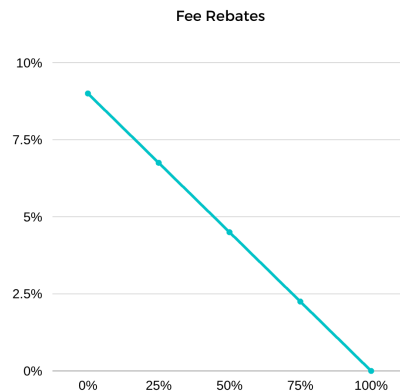
## Liquidity Rebates

Users who initialise a FlashMarket market have to post an initial liquidity of \$X into the pool. The actual amount will vary depending on the popularity of the sport and event. Market creators get 0.5% of the fees from the market they created (unless the creator is FlashMarket, in which case it's 0%).

### Example:

Pool A: \$100,000  
 Pool B: \$150,000  
 Pool C: \$50,000

Winner = Pool A  
 Total Winnings = \$200,000  
 Fees = \$10,000  
 Market Creator Fees = \$1,000  
 Liquidity Rebates = \$9,000  
 User Bet Amount  
 Amount in Winning Pool Before User = \$20,000  
 Amount in Winning Pool After User = \$40,000



s = starting proportion (amount in winning pool before user added funds/final amount in winning pool) = 20,000/100,000 = .2  
 e = ending proportion (amount in winning pool after user added funds/final amount in winning pool) = 40,000/100,000 = .4

$$\text{Fee Percentage} = -e^2 + s^2 + 2e - 2s = .28$$

$$\text{User Fee Rebates} = (\text{Fee Percentage}) * \text{Liquidity Rebates} = .28 * \$9000 = \$2520$$

# V1 Contracts:

**FlashMarket V1 PariMutuel Contract:**

0x92d52b7b130E881CC86afC736da4CaB4cDB46539

**FlashMarket Points Operator (EOA) Address:**

0xB6CeC81EF6fDA8b0092C75d8aDD8f7dFC5F10CCF