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Some observations and thoughts on ZILSwap: What went well, its impact on the \$ZIL ecosystem and where we need to improve with some concrete plans that are being worked on. A thread:



1/ ZILSwap was launched by [@SwitchedNetwork](#) on Oct 5, 2020 (~2 months old). Soon after, we noticed for the first time, a flurry of ZRC-2 tokens (equiv. of ERC20s on \$ZIL) getting launched on the network (even though the fungible token standard had been around for a while).

2/ The ability to provide a marketplace for people to exchange tokens was the trigger for developers to start issuing tokens and developing a token economy. In fact, there was a token for which, the entire supply was put on a ZILSwap pool w/o any team withholding.

3/ This was an extreme example of why a DEX was needed and the role it played in bootstrapping several tokens and respective token economies. Over 25 tokens are available on ZILSwap in the form of liquidity pools. The total pool size across all tokens is over USD 1 million.

4/ ZILSwap also made it possible for the first time for anyone to get access to \$XSGD (the Singapore Dollar Stablecoin issued by [@xfers](#)). In fact \$XSGD and \$gZIL contribute the greatest proportion of the total pool.

5/ As \$XSGD and \$gZIL were only available on ZILSwap initially (\$gZIL is also on [@cex_io](#) now), both have undergone significant growth over the last few months since their launch in October. ZILSwap recorded a cumulative trading volume of \$1.3M for \$gZIL and \$750.9K for \$XSGD.

6/ ZILSwap is also the address holding the largest number of \$gZIL (2.67% of the total circulating supply) and the third largest holder of \$XSGD (18.50% of the total circulating supply). This clearly highlights the central role of ZILSwap for these two tokens in particular.

7/ I do see two issues with ZILSwap though. The first one is around incentive. Despite the fact that ZILSwap has some incentive baked for liquidity providers (0.03% of trading fees), it is imperative to boost the incentive a bit further.

8/ More incentive will attract more liquidity providers and therefore a more liquid market for token issuers and token holders. We are extremely cognizant of this and a solution is in works.

9/ The second one is about bringing more assets that the community would like to interact with. This is where \$ZIL - \$ETH and potentially \$ZIL - \$BTC bridge will come into play. Bridging Zilliqa with other chains will bring assets from an external chain on the Zilliqa platform.

10/ The bridge would allow the \$ZIL community who hold other assets such as \$ETH, \$BTC or ERC20s to move them on Zilliqa and be able to transfer them around without congestion or trade them at cheaper costs and that too with just a few clicks.

11/ Cross-chain bridges may also bring different communities together and allow dapp developers to target a wider userbase. However, liquidity will still remain important. The bridge and the assets will only be a step towards the goal as users will need liquidity on ZILSwap.

12/ And therefore the community contribution towards liquidity provisioning will be crucial which again makes the underlying incentive mechanism important. Furthermore, we need to understand that there is much more to be unlocked once the cross-chain assets cross over.

13/ We have to go beyond enabling people to be able to trade ETH-based assets and think of providing applications that can use those assets. Pillar for example could take those cross-chain assets as collateral.