

# How to Select the Right Market Maker

A Guide by Orcabay

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# About Us

## What We Do

We provide market making and liquidity advisory services for token issuers and crypto exchanges, covering both CEX and DEX environments with consistent and transparent execution.

## Our Mission

To create open and trustworthy markets in the crypto world, where liquidity is reliable, incentives are aligned and trading conditions support long term growth.

## Our History

Established in 2018, we have built a proven track record across more than 50 venues. Orcabay operates as a fully compliant MiCA regulated European entity and is committed to fair and transparent market making.

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# Introduction

Most founders know they need a market maker, yet far fewer understand how to choose the right one. The quality of your market maker directly shapes liquidity, trading experience and price stability.

A weak provider can create wide spreads, thin order books and unstable price discovery, which damages confidence and can limit long term growth. A strong one helps stabilize trading, absorbs sell pressure and maintains consistent liquidity around the clock.

This guide explains the core pricing models, the essential questions to ask and the red flags to watch for so every founder can make an informed decision and select a partner that supports their token and long term vision.



# Market Making

## Explained

Market making is the process of continuously providing buy and sell orders to create a stable trading environment for a token. A strong market maker reduces spreads, increases depth and helps ensure that users can trade without significant slippage.

Their presence supports healthy price discovery, absorbs short term sell pressure and provides liquidity during both calm and volatile conditions. Good market making is not about pushing price upward, it is about maintaining a predictable and efficient market where organic demand and supply can interact fairly.

For any listed token, consistent and transparent liquidity is one of the key foundations of long term market stability.



# Examples of Bad Market Making



# Pricing Models

Market makers typically operate under two structures, the loan model and the retainer model.

In the loan model, the project lends native tokens to the market maker who uses them to provide liquidity and receives a call option that allows them to buy part of these tokens at a preset price.

In the retainer model, the project provides native tokens and quote capital and the market maker receives a monthly fee along with performance based incentives tied to KPIs.

On the next page you will see the main differences between the two models presented side by side.



Feature	Retainer Model	Loan Model
Payment Structure	Fixed monthly fee (plus a performance fee based on KPIs & profit share)	No upfront fees, MM uses own funds and receives call options
Asset Management	Project provides tokens and stablecoin, managed by MM via API access	Project loans tokens, MM manages liquidity independently
Risk Profile	Lower risk due to aligned incentives and predictable costs	Higher risk due to less control
Capital Requirement	Requires initial capital in tokens and fees	Minimal capital needed, relies on MM's own liquidity
Control	High control and ongoing collaboration with MM	Low control, MM executes independently
Pros	Aligned incentives, full transparency, measurable KPIs, long-term focus, 24/7 MM presence	Low initial cost, fast setup, simple operations
Cons	Higher upfront cost, relies on performance delivery	No guaranteed liquidity, possible price manipulation





# Our Suggestion

We generally favor the retainer model, especially for early-stage projects or tokens with lower liquidity. While the loan model may seem attractive in the beginning (offering quick liquidity without upfront cost), it can become a liability if the market maker's incentives are not aligned with the long-term vision of the project.

We've seen cases where market makers start off supportive but begin selling heavily just as the project gains traction. This can disrupt momentum and damage investor confidence.

That said, both models have their place. The right choice depends on your token economics, growth stage, and internal resources.



# Choosing the Right Market Maker

Selecting a market maker should go beyond comparing prices.

The right partner is the one whose incentives match your long term vision and who can support your token across different market conditions.

Strong market makers provide consistent quoting, transparent reporting and clear communication so you always know how liquidity is managed. When evaluating providers, focus on their track record, technology, uptime, and ability to operate across both CEXs and DEXs.

Most importantly, choose a structure that keeps you in control of your supply and makes the market maker accountable through measurable KPIs.



# Questions to Ask Your Market Maker

Here are key questions to help you evaluate whether a market maker is the right fit for your project.

**Do you quote both sides 24/7?**

Ensures constant liquidity and a tighter trading experience.

**On what pricing model do you operate?**

Clarifies whether they work on a loan or retainer model and how incentives are structured.

**Who is the custodian of assets?**

Important in retainer setups to ensure fund safety and operational clarity.

**Are you active on both CEXs and DEXs?**

Your users may trade on both so liquidity should follow.

**What is your quoting uptime?**

High uptime signals strong commitment to the token.

**What are your KPIs?**

Spread, depth and time in the order book etc.



How do you manage token exposure?

Reveals if they hedge, hold or dump your tokens.

What reporting or dashboards do you offer?

Transparency is critical for monitoring spreads, uptime, quoting and volumes.

Is there a trial period or review clause?

Allows flexibility if the relationship is not working.

Who handles exchange relationships?

Shows whether they support listings or only provide trading.

Do you use your own tech or third party systems?

In house systems usually mean faster and more reliable execution.

How do you coordinate with us on major events?

Liquidity should adjust around TGE, unlocks and important announcements.

Do you offer 24/7 support?

Essential during volatility or exchange issues.



Are you regulated by any authority?

Adds trust and operational credibility.

Do you have references or case studies?

Reliable market makers can show proven results.

Do you charge an integration fee?

Helps you avoid unexpected onboarding costs.

What is your profit share from spread trading?

Shows how they earn and whether incentives align with your goals.

These are just some example questions. Each project has its own unique needs, so your questions should reflect your specific priorities, goals, and risk profile.



# Red Flags in Market Making

These examples highlight why founders must perform proper due diligence. Below are common red flags to look for before entering any market making relationship.

## Guarantees on price or volume

Legitimate market makers never promise specific price levels or volumes since this is market manipulation and illegal.

## Fake volume, wash trading or spoofing

These practices are illegal, create misleading activity and expose your project to regulatory and reputational risk.

## No clear KPIs

Without measurable goals such as spread targets, uptime or depth you cannot evaluate performance.

## Unclear or one sided contracts

Missing exit clauses, trial periods or clear liquidity terms usually means the provider is protecting themselves, not you.



## Disappearing during volatility

If quoting only happens in calm markets, your token becomes vulnerable during price shocks or news events.

## No self custody in retainer setups

Market makers should only need API trading access. If they insist on withdrawal rights, treat it as a serious warning sign.

## No regulation

Unregulated providers lack accountability and offer no legal fallback if something goes wrong.

## Weak references or no public track record

If no credible partner will vouch for them, proceed with extreme caution.

## Prices that look too good to be true

Low cost offers often signal cut corners or risks being shifted onto your project.



# Market Making

## Best Practices

A strong market making setup combines the right model, clear expectations, good communication and reliable backup.

Early stage projects often benefit from working with at least one market maker on a retainer model to ensure someone is always quoting regardless of market conditions. Larger projects may add a second market maker for additional depth and stability.

To build a stable and effective liquidity setup, focus on the core principles that keep execution consistent and aligned with your goals:

- Define clear KPIs
- Maintain strong communication
- Keep full custody of assets and allow only API based trading access
- Align liquidity around key events

A well structured setup reduces volatility, protects your order books and supports healthy long term price discovery.





# Our Approach

At Orcabay we tailor our solutions to each client and support projects from their TGE through future exchange listings. Our goal is to ensure smooth launches, stable liquidity and a good trading environment across all venues.

Our retainer model is fully non custodial so you remain in control of your assets at all times. With our MiCA license you gain additional confirmation that we operate as a reliable and trustworthy partner.

We provide around the clock support and offer a live dashboard that gives full visibility into spreads, volumes and trading activity. This level of transparency helps you understand how liquidity is managed in real time.

If you want stable liquidity and a partner you can trust, connect with our team and we will help you build the right setup for your token.


[Book a Call](#)



A good market maker can't  
guarantee your project's  
success.

A bad one will guarantee  
its failure.



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CRYPTO MARKET MAKER & ALGO TRADING FIRM.