



TRENDING
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Why Wall Streeters Are Turning to Bitcoin for a Living

Joon Ian Wong (@joonian) | Published on October 26, 2014 at 13:12 BST

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When banking giant Citi announced it would lay off 11,000 employees last May in a bid to save a billion dollars in expenses, Arthur Hayes was one of the staffers given a pink slip.

Hayes had been a 'Delta One' proprietary trader for Citi in Hong Kong, acting as a market-maker for the bank's Asian exchange-traded fund products. He had spent his career in financial institutions, starting out at Deutsche Bank.

While polishing his resume to rejoin the job market, Hayes came across bitcoin. He couldn't resist trading the cryptocurrency. To his delight, the markets turned out to be a gold mine for him:

"I found there were lots of inefficiencies. If you apply traditional financial theory, it was mispricing everything. There was lots of money to be made trading bitcoin."

Suddenly, reporting to yet another managing director at a bank became less attractive to Hayes. Trading bitcoin for a living beat hitting targets for bonuses.

"You work all year for someone else [at a bank], then they'll tell you what you're worth with your bonus. With bitcoin, it's better. Everything you make is yours," he said.

Wall Street's calamities drive bitcoin trading

<http://www.coindesk.com/wall-streeters-turning-bitcoin-living/>

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Hayes isn't the only one to turn his back on traditional finance to seek opportunities among cryptocurrencies. In the cryptomarkets, traders are finding the volatility they used to find in stocks, currencies and commodities – even as big banks continue to cut jobs and pay billions in fines in the aftermath of the financial crisis.

Regulators have slapped banks with heavy penalties in the last two years. The heftiest and most recent fine has been Bank of America, which [agreed to pay \\$16.65bn](#) to the Securities and Exchange Commission in August. The six biggest banks have [paid \\$130bn](#) in fines and settlements since 2009.

It's not just money that's flowing out of the banks. They're continuing to shed jobs around the world, too. Citi [announced](#) this month that it would shutter its consumer banking business in 11 countries, including Japan. JP Morgan is [on track](#) to make 17,000 positions redundant by the end of the year. According to [research](#) by Johnson Associates, banking as a whole is 20,000 jobs below the level of employment before the financial crisis.

All of this means that bank employees with a yen for cryptocurrency are more likely to make the jump now rather than wait to be pushed out. One of those people is George Samman, who managed portfolios at Wellington Shields, a New York brokerage. Today, he's trying to build a bitcoin derivatives exchange at [BTC.sx](#).

"Finance isn't the glorious place it once was. Bonuses are low, salaries are low. It's not where you want to be any more," he said.

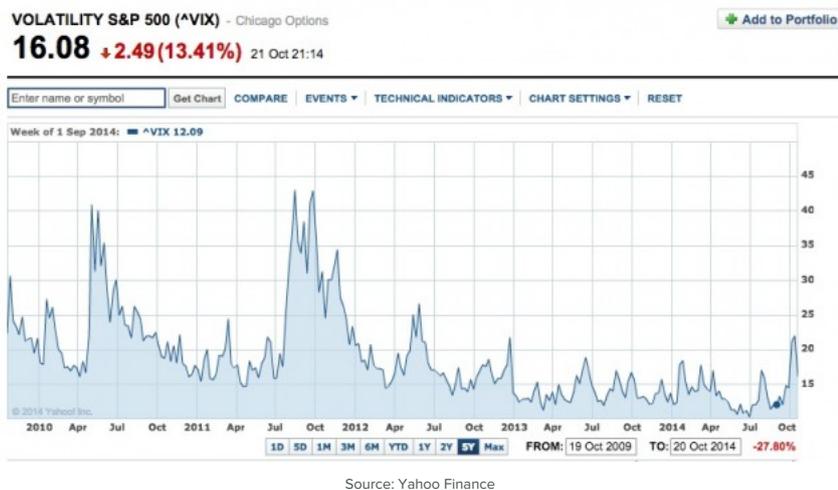
Samman describes meeting "old-school" former colleagues recently who bombarded him with questions about getting into the bitcoin markets. They were tired of watching placid equity markets at work:

"It's been slow for awhile ... Everyone's in a sad, miserable state because there's no money to be made. Trading volumes have been low, commissions have been slashed over time and it's a completely different place to what it was – and it's not coming back."

Stagnant markets shrink opportunities to profit

Although the markets – particularly US equities – have [been roiling](#) in the last two weeks, they have been flat in recent years. From stocks to oil, traders have [struggled](#) for years to find the volatility they need to make money.

The VIX, known colloquially as the 'fear index', is the most widely used gauge of volatility in the US equities market. Last year it hit a five-year low of 11.3, well below its range the previous year. The Federal Reserve's quantitative easing policy is generally held to be the cause of low volatility in the financial markets.



Traders are hurting. A [survey](#) of the financial industry conducted in July by brokerage ConvergEx found traders grouching over the difficulty of trading profitably in a low volatility environment. More

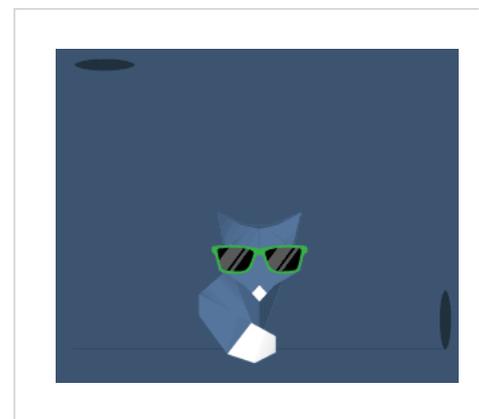
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than 60% of firms on the sell-side – those who deal in products and services supplied to buyers like hedge funds and other institutions – said low volatility had been 'bad or very bad' for business.

Jean Marie Mognetti ran a commodities fund under the Global Advisors banner in Jersey. But as commodities trading ground to a halt because of flat prices, he and his partner, Daniel Masters, a former top trader at JP Morgan, began trading bitcoin for themselves.

"We had a simple bullish view, and the more we saw, the more we wanted to see. It came to the point that we said we need to share this investment opportunity with other people," he said.

Mognetti and Masters launched [Global Advisors Bitcoin Investment Fund](#), a hedge fund for bitcoin based in Jersey, in July. They plan to have \$200m under management, and have [bought](#) a first tranche of bitcoin from Digital BTC, the miner that listed on the Australian Stock Exchange.

Mognetti said the bitcoin markets have supplied more trading opportunities – and thus chances to make money – than his old stomping grounds of spot oil prices.

"I can tell you right away, crude oil is extremely boring for the last year and a half [...] We're still trading commodities, but our commodity focus is slowing down because clients are not liking them. It's just like us being bored of crude oil."

By contrast, clients are clamouring to get in on the cryptocurrency action, Mognetti claimed:

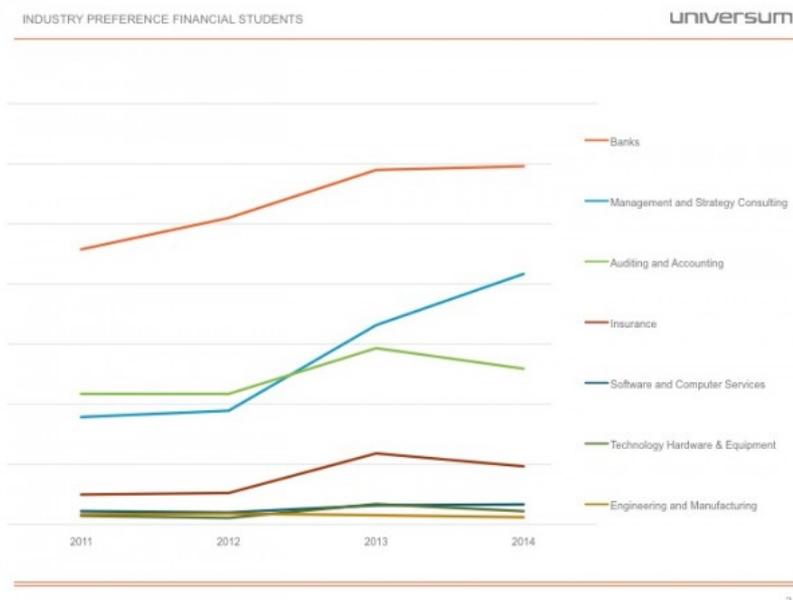
"We never managed to sell anything in Jersey in six years. Now we get people in Jersey calling us," he said, days after his fund announced its launch in August.

Wall Street is losing its lustre among graduates

Former Wall Streeters who cross over to cryptocurrencies say they are hardly being ostracised for dealing in exotic digital assets. Instead, ex-colleagues are peppering them with questions and giving them kudos for closing profitable trades in digital currency markets.

Gavin Smith, who heads First Global Credit, a firm that provides contracts-for-difference on global equities that can be bought with bitcoin, said the cryptocurrency markets are what traders have been looking for since volatility died down in recent years. He used to devise risk-hedging strategies for Credit Suisse and Trafigura, the commodities trading giant.

"[Cryptocurrencies] are more comfortable for people with our background because we're used to hedging what is quite a volatile underlying [asset]. The oil side of things has been especially quiet over the last three to four years. but we're used to the challenges of protecting your position in a more volatile environment."



Source: Universum

Earning big bucks at a bank appears to have lost its lustre among young people joining the workforce for the first time. Research by Universum, a consultancy that advises employers on how to position their brands for recruiting, shows that the attractiveness of joining a bank has dropped among business and commerce students over the last three years.

According to Universum, finance students, meanwhile, are still enthusiastic about bank careers, but they now see it as a stepping stone towards being an entrepreneur.

Hayes, the former Citi prop trader who has now started [BitMEX](#), another bitcoin derivatives platform, said:

"No one in banking loves their job. They're there because they're making money – currently. But they all understand that if there's something new and exciting, and there's a possibility of making great returns, they're totally supportive of it. All the startup guys make way more money now than banking guys, anyway."

Image: [Antonio Morales García / Flickr](#)

Update: Article was updated to include Hayes' relationship to BitMEX and Smith's earlier work for Credit Suisse and Trafigura.

[BitMEX](#) [BTC.sx](#) [First Global Credit](#) [GABI](#)

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BTC-baghdler · 5 months ago
easy money in btc, just keep shorting it. all it does is go down.

Anon Wibble → BTC-baghdler · 5 months ago
All it does is go down because assholes keep shorting it...

Umi → BTC-baghdler · 5 months ago
Of course with the occasional short squeeze fake outs.

Artemus → BTC-baghdler · 5 months ago
Bitcoin Investment Trust up 170% since inception. I'm still up over a 1000% from some of my earliest purchases. Your statement simply means one thing - you're providing a rationale for arriving late.

Umi → Artemus · 5 months ago
Look at the exchange volumes, most btc bagholders came in during the November bubble. I'd be willing to bet that in raw numbers, more bitcoiners have lost money rather than made some.

MyLegacyKit → Umi · 5 months ago
So? Did Bitcoin, the protocol, ever promise that bitcoin, the coin, would go up forever in a straight line? Wake up, people. And study some basic economics. What comes up too fast, must come down until a decent price level is reached. Every new technology takes time to take over the world. If at all. There were times that even Facebook stocks dropped over 90% pre-IPO. For every investment you should have a stop loss level and a long term view (at least 5 years. AT LEAST!).

Christian Wilcox → Umi · 5 months ago
Agreed. It looked good for a bit, and since then has just declined.
And that thumping loss will put off A LOT of investors.

Sumer54 → Christian Wilcox · 5 months ago
You mean like the NASDAQ, like the Nikkei, or, Dell?

Christian Wilcox → Sumer54 · 5 months ago
 No, I mean like Miners putting in £40k, and only getting £20k back. Or people sinking in money to set up exchanges, and then they can't afford to hire marketers to rustle up customers to use said exchanges (as no-one has spoken to The Shops, so the shops don't accept Bitcoin, so Bitcoin value remains low).

The return is pretty awful at present, because you're supposed to spend it. 1 year of 'buy buy sell sell' is, well, a messy way to do business. And the mess is clear as crystal when you step outside the 'speculation' sphere and look at the reality on the ground.

2 ^ | v · Share ›

Sumer54 → Christian Wilcox · 5 months ago
 Have you ever heard of 'forming, storming, norming and performing'? What are you comparing this against? Hopefully not against something that is mature and well-established. And even established entities have cyclical crashes, as in the Nikkei and Dell. There were over a hundred manufacturers of automobiles in the early part of the last century. There were scores of PC manufacturers in the 80's. We don't need hundreds of auto manufacturers. We don't need dozens of PC manufacturers. We have yet to establish what infrastructure that's needed to support cyber-currencies. If people are willing to be in early, they should realize the scale of risks at this stage. Stand back and watch if you have the guts to swing with the growing pains. It's a choice, you know.

1 ^ | v · Share ›

Christian Wilcox → Sumer54 · 5 months ago
 I have chosen to stand back. But...

The equation is designed around people spending it in shops, and that is not happening in the real world. And that is why the arse has fallen out of the price.

We may have Bankers involved, sure; but are they helping? No. Because they're not trying to sell it to shops. So people continue to NOT SPEND IT.

It only works if you spend it. It's that simple. Otherwise the price stays low, 95% of Mining Start-ups die, and people take a step back and say 'stuff that for game of soldiers'.

If you have no miners you have no Bitcoin. End of. And 95% are dying. There's no way you're gonna conquer the world if 95% are dying.

^ | v · Share ›

Jess → Christian Wilcox · 5 months ago
 Miners and that part of the system is doing just fine. It balances itself out. As it loses ots profit margin those who arnt profiting leave making the hashrate go down so its profitable for others. The system itself tends to go to zero profit if all factors are stable or with price decline. The cutoff is usually around cost of power to run the systems.

3 ^ | v · Share ›

Christian Wilcox → Jess · 5 months ago
 And if hashrate gets too low then the hackers win and your Bitcoin is rendered worthless. I'm amazed that you do not know this.

^ | v · Share ›

Sumer54 → Umi · 5 months ago
 Anyone who's bought IBM in the past 2 years is now in the hole. Anyone who's bought AMZN in the past year is also in a hole. I know people who were buying Sun Microsystems in the \$40-50 range. It eventually sold below \$8 when it was absorbed by Oracle. Anyone who buys anything at the wrong time can end up in a hole.

1 ^ | v · Share ›

Phasant Plucker → Sumer54 · 5 months ago

 Exactly. When I invested in the google IPO everyone thought I was nuts. However for those of us in the industry we saw their vision and execution history. Those investing in bitcoin should think of it as a pre-IPO or penny stock at the moment with a high risk/high reward profile.

3 ^ | v · Share >

 **emoore** · 5 months ago
Bitcoin volatility and mispricing means opportunity for ex-wall street traders? Pure nonsense.

The spreads on bitcoin have been squeezed. No easy arb. Not like a year ago. Thats done. Automation has created an efficient market.

Volatility? Actually, its less volatile than stock indices, oil, and more closely resembles treasury bonds.

Scratching my head as I read this article.

6 ^ | v · Share >

 **Gareth Davies** → **emoore** · 5 months ago
Volatility less than stock indices? What metric for volatility are you using? Certainly by any standardized metric such as historical or realized volatility over just about any timeframe you choose bitcoin is many, many times more volatile than everything you list.

4 ^ | v · Share >

 **emoore** → **Gareth Davies** · 5 months ago
Compare the average range of 5 minute bars of Bitcoin vs Russell futures during US stock market hours. Also, Bitcoin vs Treasury Bonds and Notes on report days. Oil vs Bitcoin on inventory reports. Grains vs Bitcoin crop reports and USDA reports. See what I am getting at? As a trader, we need predictable movement within specified time periods. Bitcoin does move, but its usually at odd hours or because an online retailer decided that they would accept bitcoin.

I am one of these rare idiots that actually trades for a living. Maybe I am just too stupid to make money at bitcoin trading. Wish I were not.

^ | v · Share >

 **Wong Joon lan** Mod → **emoore** · 5 months ago
By this comparison, it looks like there's more volatility on Bitstamp than in the Russell 2000? Then again, I am far too dumb to trade for a living.

<https://uk.finance.yahoo.com/q...>

<https://bitcoinwisdom.com/mark...>

^ | v · Share >

 **Guest** → **emoore** · 5 months ago
Of course its pure nonsense, and pure hype, but if that is all you got, that is what you have to use.

only problem is the hype is no longer pumping the price, and they don't know what else to do.

Notice the huge LACK of actual articles analysing the economics or bitcoin from this site, they used to, actually produce facts.

But those number and facts don't look so good, and the 'predictions' made have proven to be false (as if anyone is surprised by that).

1 ^ | v · Share >

 **joao cesar** → **Guest** · 5 months ago
Booohooo it started from 0, gubmit didnt make it, llcs didnt do it steve jobs a la reginald perrin grot style, it must be 0 cry cry waa waa!!!

1 ^ | v · Share >

 **Erastos** → **emoore** · 5 months ago
Hint: They're not talking about making money from arb trading. They're talking about making money from the inexperienced traders that follow bitcoin like it's the next U.S. Dollar.

Also I hope the volatility comment was sarcasm. I really do.

Also I hope the voting comment was calculated. Really do.
^ | v · Share ›

Guest · 5 months ago
so is it 'Wall street' or the unemployed? Possibly 'ex wall street'
6 ^ | v · Share ›

Nano Sopian → Guest · 5 months ago
The article gives examples of both, so both are equally true.
1 ^ | v · Share ›

Christian Wilcox · 5 months ago
The Antminer S3+ is now the same price as the S1 was 2 months ago. For real.

Mining is THAT bad an investment. And without miners there is no Bitcoin.

I've criticised the 'buy buy sell sell' crowd before, and I'm gonna do it again. All they do is yell at a screen. Do they go out and talk to local shops about taking Bitcoin (which will boost transaction fees)? No.

They help no-one, and yet people still seem to celebrate them being involved. Why?

You don't need this crowd. You need a crowd of dedicated marketers on the ground to go out to shops and sell them the idea of accepting Bitcoin.

But will that happen? No, not if a 'buy buy sell sell' type is doing it. He/she will be too busy yelling at their screen.

And how do you pay for the marketing teams needed now that BTC value is so low and the small miners (who were your marketing teams) are switching off (as they can't afford the electricity)? If anyone can solve that then they will save Bitcoin. Until then Miners continue to be squished as BTC price continues to fall; and shops continue to have

see more

3 ^ | v · Share ›

Orchideric · 5 months ago
Headline should read "A SELECT FEW Wall-Streeters" because the majority are still skeptical on Bitcoin. How do I know? Because if even 10% of Wall-Street turned to Bitcoin, we wouldn't be lookin' at 350 dollar coins.

2 ^ | v · Share ›

Pheasant_Plucker → Orchideric · 5 months ago
The Wall Streeter's I know are thinking regulation will ultimately kill bitcoin. Currently Bitcoin is not a visible threat so regulation is light. The ETF launch is critical to demonstrate it can prevail against the incumbents opposing forces.

1 ^ | v · Share ›

P Yu · 5 months ago
So wall streeters who get fired are resorting to bitcoin?

3 ^ | v · Share ›

preferrous → P Yu · 5 months ago
bit slow on the uptake, are we?

^ | v · Share ›

P Yu → preferrous · 5 months ago
friendly and constructive crowd.

1 ^ | v · Share ›

preferrous · 5 months ago
I doubt this is true, but if it is, it's because these guys don't understand counterparty risk.

Arbitrage looks like free money until mtgox explodes. In the regulated govconomy everybody gets made whole with a backstop. Wall Streeters are conditioned to ignore this possibility because they've been insulated from it for over 80 years now.

2 ^ | v · Share ›

P Yu → preferrous · 5 months ago
Paint with a broad brush there. Many "Wall Streeters" think about counterparty risk and reg risk on a daily basis. Were you fired from a trading desk by any chance or are you just one of the guys that like to attack anyone who you perceive might be "against" Bitcoin?

^ | v · Share ›

Share

preferrous [P Yu](#) · 5 months ago

No, Wall Streeters do not think about exchange counterparty risk.

US brokers are not allowed to trade on non-backstopped exchanges.

This has nothing to do with attacks or pro/con bitcoin.

Share

P Yu [preferrous](#) · 5 months ago

I've traded for 3 top investment banks. I can tell you that we trade plenty of OTC. I can tell you that traders and risk managers keep a keen eye on counterparty risk. I'd be interested to hear what you traded and where.

Share

P Yu [preferrous](#) · 5 months ago

No more clueless declarations from the guy who knows everything about wall street?

Share

alpha · 5 months ago

Does anyone has an idea what the security and exchange commission is doing with the confiscated money ? They need to wash it also someway in to the system or do they keep it for themselves?

How about the money Bank of America had to pay to the security and exchange commission the 16.64 Billion Dollar obviously it is also crooked out of ordinary people so it is not clean money, how do they wash this cash again?

Did anyone go to jail for ripping off people for the 16.64 Billion US\$? This questions confuse me.

Share

Guest [alpha](#) · 5 months ago

does anyone know what the BTC 'world' did with the \$10 billion dollars that have disappeared off the Bitcoin network in the past 10 months?

If this trend continues bitcoin will OWN or be in debt for about 10 billion dollars, where is that going to come from?

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joao cesar [Guest](#) · 5 months ago

Well thank lord regulators didn't make it, otherwise they'd be getting social security information and private keys to cash stolen left right and center

Share

Anon Wibble [Guest](#) · 5 months ago

Well as long as it doesn't disappear from my wallet, I couldn't care less.

Share

Harley Strickly · 5 months ago

To the DIRT!

Share

Jared Boice [Harley Strickly](#) · 5 months ago

Here comes Harley, the local antibitcoin troll. You can always count on him to spread fear, uncertainty and doubt

Share

Harley Strickly [Jared Boice](#) · 5 months ago

Here comes Jared. Spreading lies and bitcoin propaganda

Share

Jared Boice [Harley Strickly](#) · 5 months ago

Uh actually, going around on every crypto news article that exists and claiming that bitcoin is a bad idea is what propaganda is. I'm just here to read the articles ... And now to call you out every time I see you in the comments



Share

Bitcoin Boost → Jared Boice · 5 months ago

I'm not quite sure how your opinion is any more valid than that of Harley.

If Harley had been screaming this since Bitcoin was much higher, who is really spreading 'fud' ?

The block chain technology is an amazing piece of technology. We'll see where Bitcoin itself lands in the near future.

3 ^ | v · Share ›

Jared Boice → Bitcoin Boost · 5 months ago

The difference is that Harley trolls bitcoin articles specifically to talk trash about it. And he does it A Lot! Nobody has the time or energy to troll articles about topics they don't believe in...unless they're getting paid

7 ^ | v · Share ›

Guest → Jared Boice · 5 months ago

and you troll the bitcoin articles to talk trash about other people who makes comments.

At least he is on subject, and not meeting the definition of a troll, that you are.

1 ^ | v · Share ›

Jared Boice → Guest · 5 months ago

No I read the articles because I'm interested in bitcoin. You and Harley (same person?) troll the Bitcoin articles to basically tell people that what they're reading about is worthless. That's why you're a troll. I don't spend all my time trolling on a subject that I'm against. Why would I do that unless I was getting paid for it lol?

What a joke! 😏

9 ^ | v · Share ›

Guest → Jared Boice · 5 months ago

you read the articles because you are interested in bitcoin, great, and why do you think others read the articles?

I am interested as well, but for me it's not a religion, and I don't have a motive for profit to not tell the truth, or the 'tell it as it is', and not how you dream it to be.

1 ^ | v · Share ›

Jared Boice → Guest · 5 months ago

Religion? Bahahaha

It's either a religion for you to talk trash or you're getting paid. Nobody is genuinely interested in commenting over and over again on topics they don't believe in. 😏

4 ^ | v · Share ›

Harley Strickly → Jared Boice · 5 months ago

So you have no problem with someone thinking bitcoin will go "too the moon" but you have a problem that my opinion is that bitcoin will go "to the dirt"? And yes, i do feel people should have FUD about bitcoin. It is not what bitcoin extremist say it is.

1 ^ | v · Share ›

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