Title: I Spoke With a Former Citadel Client. Here’s What He Said About Ken Griffin & Citadel.
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Linked Post Content:
TL;DR: Recorded call with former Citadel client reveals Citadel has been underperforming and may have been cooking the books on their finances. Further evidence shows that Ken Griffin was desperate to hold onto his client's funds, and was ferocious towards anyone that left him.

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If you recall in my [Burning Cash](https://www.reddit.com/r/Superstonk/comments/v0zrni/burning_cash/) DD post, I explained how Citadel has just a handful of clients that provide them with the necessary capital to operate.

§1 of my "Burning Cash" DD: "Remember that each of these 19 clients is a very wealthy individual (we're talking aristocrat wealth; someone with a net worth in the billions, or at least $100 million range)." The number of Citadel's clients has dropped to 16 now, as of March 31, 2022, which can be seen on Item 5.D.(f), which is located on page 28 of Citadel's [ADV](https://reports.adviserinfo.sec.gov/reports/ADV/148826/PDF/148826.pdf).

I should point of that finding out who are these clients (whether former or current) of Citadel is nearly impossible. But, a few days ago I was tipped off by an Ape "u/ Marijuana_Miler", that noticed an interviewee on "The Tim Ferriss Show", talk briefly about how he's a former client of Citadel.

[Transcripts from "The Tim Ferriss Show":](https://tim.blog/2022/05/28/ed-thorp-transcript/)

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https://preview.redd.it/we8n7nwvrn391.png?width=625&format;=png&auto;=webp&s;=61362c9e52b372d7ced51b13f9dcf65dee311dd4

\[Note: When someone is talking in an open interview (e.g. Tim Ferriss Show), they're usually more careful about the things they say, so you might not be able to get the full picture of what was going on behind-the-scenes. I've personally been interviewed by talk shows before, and the information I'd provide in interviews was very limited in scope to what was actually going on, and I made sure if I talked about someone, that I would be respectful and not try not to defame anyone's character. That's usually how it goes, so I knew that if Thorp had relations with Ken Griffin and Citadel, there's was very likely much more going on not provided in that interview with the Tim Ferriss Show, which is why I wanted to dig deeper. And, as you'll see in the recordings, Thorp's views on Ken Griffin and Citadel are drastically different than what was displayed in the interview.\]

Now, who is Edward O. Thorp (PhD)?

He's an illustrious American mathematician, hedge fund manager, author, and blackjack researcher. He has a net worth of $800 million, which is the type of wealthy client (of the 16 Citadel clients) I was talking about.

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Here's a biographical [synopsis](https://www.celebritynetworth.com/richest-businessmen/wall-street/edward-thorp-net-worth/) of Edward Thorp:

"Edward Thorp is an American mathematics professor, author, hedge fund manager and blackjack player who has a net worth of $800 million dollars. Edward Thorp was born August 14, 1932 in Chicago, Illinois. He is known as the "father of the wearable computer" since inventing the world's first wearable computer in 1961. He was a pioneer in modern applications of probability theory, including the harnessing of very small correlations for reliable financial gain. He is the author of Beat the Dealer (1962), the first book to mathematically prove that the house advantage in blackjack could be overcome by counting cards. He also developed and applied effective hedge fund techniques in the financial markets. Thorp received his Ph.D. in mathematics from the University of California, Los Angeles in 1958 and worked at the Massachusetts Institute of Technology (MIT 1959-61).

\[...\]

After his success in casino games, Thorp moved to Wall Street, where he used in full measure his mathematical genius to foresee the price anomalies and with his partner J. Regan developed simple and efficient methods of earning money on stock. His methods are shown brilliantly in his book Beat the Market (1967). Edward O. Thorp is a legendary blackjack player and thinker, and is one of the 7 people elected to be original members of Blackjack Hall of Fame."

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When I found out that Edward Thorp was one of Citadel's clients, I felt really lucky, because I just so happen to have certain connections that I could leverage to get me in contact with Dr. Thorp.

I was able to reach out to him, and had a chat with him on the phone regarding Ken Griffin and Citadel. Here are the recordings.

I know mods were previously concerned of any potential legal ramifications for posting this, but I can assure you all that I was legally allowed to record this phone call.

\[I should note before you listen to these recordings, that I edited out my voice. So, you'll only be hearing the voice of Edward Thorp.\]

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\-My first question: "When did you leave Citadel?"

https://reddit.com/link/v4wxkb/video/xnnw31n6sn391/player

Dr. Thorp answers that he exited in 2020, before the January 2021 run up and all the craziness that transpired afterwards. This is important to note.

\-I later asked him "why did you decide to leave Citadel?" And "tell me about the stipulations in your contract with Citadel. How hard was it to withdraw your money?"

https://reddit.com/link/v4wxkb/video/bsfmxd1asn391/player

Dr. Thorp's testimony here is a revelation that underscores the many shady practices of Citadel. We'll be revisiting it later on, but to succinctly explain:

Citadel was underperforming, their returns were bad (not nearly as good as Citadel/MSM made them out to be to the public), and that was pre-2021. If Citadel's real returns were terrible pre-2021, they must be absolutely awful this year as well as last, as they've only been burning through their cash trying to keep the basket stocks down.

We also learn that it's extremely hard for Citadel clients to leave the hedge fund, and that the process takes several years to exit. That would explain why the number of clients Citadel didn't drop from 19 to a significantly less number (such as 10 or less), but instead dropped to 16. I imagine the clients with several billions may have had more leeway/stipulations in their contract; hence, they would've been able to exit quicker (explaining the increase in clients exiting 2021/2022), but for most of the clients, it wasn't going to be as easy. Though, they're most likely actively withdrawing, which is why Citadel needed to cut withdrawal limits and get money from Sequoia.

\-I asked Thorp about his history with Ken Griffin:

https://reddit.com/link/v4wxkb/video/etr43arbsn391/player

"I just rolled out along until they stopped performing well, and I got out as quickly as I could"-Edward Thorp, Former Citadel Client.

I really like this quote. Should be part of an ad for Citadel, haha.

\-Discussion about Citadel's withdrawal penalties:

https://reddit.com/link/v4wxkb/video/58hzumodsn391/player

"I said to myself, 'if they're so desperate to keep your capital, it means they probably see some risks that we don't know about'".

\-Discussion about how Ken Griffin operates Citadel:

https://reddit.com/link/v4wxkb/video/dyvsiy6fsn391/player

"He has very tight control. He's in charge; he collects most of the money. And he goes after people with ferocity if they leave him. He thinks they'll take any secrets from his organization."

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There was more in my discussions with Edward Thorp that I would've liked to share, but I was specifically entrusted to keep particular things he said solely between me and him. I'm choosing to do the right thing and honor his request. There's already plenty of information that I've shared here that he's provided, which would make for very strong evidence in the DOJ investigation into Citadel.

I've also sent this info to a buddy of mine in the government that can relay it to the right people in the DOJ, to make sure this information is included in the probe into Citadel.

I think that the DOJ would be very interested in learning further about how Ken Griffin "goes after people with ferocity if they leave him". Any sort of coercion or bribery can be prosecuted under the RICO Act.

Also, I'd like to go back to recording #2.

We have corroborating evidence from Thorp that Citadel was producing returns that were virtually correlated with the stock market (i.e. S&P; 500). And Citadel agreed with Thorp's statistical analysis when he presented it to them.

Ok, so example:

Market goes up 3% **⇒** Citadel makes positive returns correlated with 3% market rise.

Market goes down 3% **⇒** Citadel makes negative returns correlated with 3% market drop.

Sound easy enough? Ok...so why has Citadel been reporting that they're outperforming the market?

Why do we have MSM articles like this around (this has been going on for years, mind you):

[Exhibit A.](https://preview.redd.it/qap8ndnyrn391.png?width=925&format;=png&auto;=webp&s;=fbd6c71b09b098c76be0b3c0cb085faacc777886)

[Exhibit B.](https://preview.redd.it/bk8gp0yzrn391.png?width=1023&format;=png&auto;=webp&s;=29965b1e9c019bc2f564b17adcb6b0fdac7c0df0)

These publicly reported numbers are not consistent with what Thorp stated.

Take, for example, this article published on September 25, 2020:

https://preview.redd.it/cjawdj61sn391.png?width=867&format;=png&auto;=webp&s;=e5b76d5cbfe007c6212f1031d593cd7ec0299de6

"Citadel Securities LLC doubled its profits during the first half of 2020, Bloomberg News reported Sept. 25.

Let's do some math on this, shall we?

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January 1, 2020 S&P; 500 closing price: 3,278.2

July 1, 2020 S&P; 500 closing price: 3,207.62

\[[source](https://www.multpl.com/s-p-500-historical-prices/table/by-month)\]

Calculations:

\[(3,207.62/3,278.2)100\] ≈ 97.85

⇒ 97.85-100 ≈ **-2.15%**

Citadel should've lost 2.15% from January 1, 2020 - July 1, 2020.

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Even taking into account any fees being collected, there's no way Citadel would've been able to double its profits during the first half of 2020. It's impossible.

If we go by Thorp's statistical analysis (which Citadel agreed with), it's clear that Citadel is artificially inflating their positions. This could be for a variety of reasons: to look good to prospective clients, outside competitors, take out loans, gain leverage, etc.

This is what happened in the case of Bill Hwang, owner of the hedge fund Archegos.

Hwang was indicted by the DOJ on Wednesday, April 27, 2022 for racketeering & fraud offenses related to a market manipulation scheme, of which include artificially inflating their portfolio from $1.5 billion to $35 billion.

[You can read the DOJ press release here.](https://www.justice.gov/opa/pr/four-charged-connection-multibillion-dollar-collapse-archegos-capital-management)

This isn't new. We now have a strong case that Archegos wasn't the only one artificially inflating their portfolio, and that Citadel has been likely doing something similar.

Considering that Hwang was indicted and may virtually face a life sentence in prison, it wouldn't be a stretch to suggest that Ken Griffin could also face a life sentence is prison as well for artificially inflating his portfolio, if he were to be indicted by the DOJ as well. Every count for racketeering conspiracy carries a maximum potential sentence of 20 years. A couple counts for charges of racketeering conspiracy could already be enough to put Griffin in prison for the rest of his life.

Citadel is under the DOJ probe, so hopefully the DOJ will be taking a closer look at these inconsistencies, ascertain whether or not Citadel has been cooking the books, and finally begin to potentially take action, such as making indictments, as they did with Archegos.

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Final note: do NOT harass Edward Thorp. I repeat: do NOT harass him! This is primarily about Ken Griffin & Citadel. Edward Thorp is a good person, and was very helpful in this case. If it weren't for his testimony, none of this would've been possible. Don't make me regret sharing this information on SuperStonk and not solely with the DOJ.

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