Title: Citadel is Enron: The Uncomfortably (for Kenny) Strong Parallels Between Citadel's and Enron's "Business Models"
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TL;DR The cellar boxing business model is remarkably similar to that of Enron, a company which famously imploded from a fortune 500 company to nothing in late 2001. Both of them are/were claiming questionable profits up front and hiding liabilities indefinitely. And there are substantive connections to back up the abstract ones.

I'd like to begin by saying that if you haven't yet read the [Institutional Investor article on Ken Griffin from 2001](https://amalakho.hosted.uark.edu/teaching/finn5333/links/II_CitadelGroup_Sep_2001.pdf) that popped up last week, you definitely should. I also highly recommend the documentary *Enron: The Smartest Guys In The Room*, which is based on the book *The Smartest Guys In The Room*, a lot of the information about Enron in here is discussed in there as well. But from the article, the thing that most stuck out to me was a segment on the very last page, that
>"In 1999, after the firm [Citadel] finished up 45 percent, rumors began circulating that the hedge fund was mismarking its positions to generate these kinds of outsize returns. Intent on ending the speculation, Citadel, which has been audited by Arthur Andersen for the past ten years, commissioned an additional independent audit of all its thousands of positions by a different auditor."

Arthur Andersen was the consulting firm that was the primary "auditor" for Enron. Enron started their accounting shenanigans in earnest in 1992, so that means that for nearly 10 years, while Arthur Andersen was complicit in fraud at Enron (with their ineffectual "auditing," shredding of documents, playing ball with insane conflicts of interest, etc), they were also the primary auditors for Citadel. And Citadel was setting off alarms within the industry for their "too good to be true" books. Hoo boy.

I'd also like to point out that the article in question is in the September 2001 issue, a few months before the Enron scandal went public, which means the association with Arthur Andersen wasn't yet an unsavory secret to be hidden at the time of publication. Shockingly, Citadel's "independent audit" by a different auditor also found no wrongdoing.

So, given what I got from that beefy, 21-year-old paragraph, I just had to look deeper. And I found more. But first, some background about Enron and how exactly they cooked their books.

One of the main strategies Enron used to hide their liabilities was establishing shell companies and pushing the liabilities onto them. I don't think I need to tell you that there has been significant speculation on this exact topic regarding GME for over a year now, but it is certainly not a new concept and has been done before.

Enron's cardinal sin, though, was their rampant abuse of mark-to-market accounting, whereby they reported theoretical future profits from deals as if they actually had them now, even though a significant fraction of those deals ended up losing money for Enron in reality. This allowed them to essentially claim as much profit as they wanted from any given deal.

Sound familiar?

Let's say we're Citadel and we enter into a transaction like, oh, I don't know, short selling. We short sell a bunch of stock, then use the proceeds to buy other assets, which we claim on our balance sheet. We then go through the various mechanisms this sub has uncovered to get our short position hidden and off our books, including the good old fashioned "dump it on subsidiaries" strategy they probably got from Andersen in the 90s. Hey look at that, we can print a bunch of money on our balance sheet and hide the fact that we're actually underwater. This is Enron.

Let me introduce you to [Barry Wallach](https://www.linkedin.com/in/bwallach). Barry had a 31 year career as a managing partner at Arthur Andersen, which he left 6ish months before the Enron scandal went public, with internal company politics as the stated reason. Immediately afterward, he was hired as the COO of citadel, where he was responsible for tax and financial reporting. He was with them from July 2001 to Jan 2002. I have attempted to find information about his departure, but have come up with none. It very well may have been as a result of scrutiny brought on by the accelerating Enron scandal. I also find it quite telling that as of 2016, he's [being introduced as the former COO of Citadel](https://www.linkedin.com/pulse/former-citadel-coo-joins-diamond-wealth-strategies-ron-diamond) despite the fact that his time there was a 6 month appendix to his 31 year career at Arthur Andersen. Unfortunately for him, the Citadel association will soon also be too publicly toxic to advertise.

Enron was the #1 donor to George W. Bush's first campaign. [Ken griffin is now the #1 Republican donor.](https://www.politico.com/news/2022/02/03/ken-griffin-donor-midterm-cash-00005052) When you're using infinite money cheat codes, it makes sense to also pay as many bribes as possible. Like with Citadel now, regulatory agencies with jurisdiction over Enron, FERC et al, refused to take action, *totally unrelated* to the top-tier bribes they both paid.

Jeff Skilling, CEO of Enron and he who brought in mark-to-market accounting, thought that the only thing that motivates people is money, and encouraged a corporate culture of extreme competition and an "ends justify the means" attitude. This sounds very much like Ken Griffin.

"Enron should not be viewed as an aberration, something that can't happen anywhere else, because it's all about the rationalization that you're not doing anything wrong. We've involved Arthur Andersen, we've involved the lawyers, the bankers know what we're doing, there's a sense of diffusion of responsibility. Everyone was on the bandwagon, and it can happen again." -Sherron Watkins, Ex-VP of Enron

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