

I only started thinking about this today, and so haven't vetted it much yet.

But: I think it might be time for Alameda Research to shut down.

Honestly, it was probably time to do that a year ago.

The reasons:

- 1) The PR hit from Alameda and FTX both existing is really large
- 2) The current Alameda leadership is good, but not good enough to be able to trust with such a big operation.
  - a) The fact that we didn't hedge as much as we should have alone cost more in EV than all the money Alameda has ever made or ever will make, and that's the kind of critical mistake we're likely to make if I'm not actually running the show there.
  - b) Caroline is not a natural leader, and probably never will be
  - c) She's also unhappy at Alameda, and is doing it because she thinks it's important
- 3) Alameda's culture has become mediocre at best
  - a) people don't bother coming into the office or being co-located
  - b) There's a brain drain—we've hit a downward spiral where good people leave, and so then there aren't any good people, so future good people leave (or don't join)
  - c) There isn't sufficiently strong leadership to reverse this
- 4) In the current environment, capital is really expensive, and Alameda doesn't justify it
  - a) There are no longer really many borrow/lenders left
- 5) Alameda is making some money trading, but not enough to justify its existence
- 6) To the extent that there is a niche for a trading firm, that firm should be Modulo
  - a) It has much stronger culture and leadership than Alameda
  - b) It has much lower PR cost

The main downside here is that, given the amount that Alameda is doing, we *can't* really shut it down.

So instead I think we would do something like:

- a) Announce publicly that Alameda was no longer going to trade, and instead *just* be a research/infrastructure firm
  - i) This should resolve most of the FTX/Alameda PR issues
- b) Keep around entities for holdings/etc.
- c) Transition almost everyone off of Alameda; either we let them go, they join Modulo, or they join FTX

There are large downsides to this, too!

- a) Less liquidity on FTX
- b) Really hard to unwind Alameda
- c) There is large profit potential we'd be giving up
- d) Harder to get market making deals, etc.
  - i) And e.g. Aptos/Sui venture stuff—we'd have to think about how to phrase that

I feel really uncertain what's right!

But I also don't know that we're going to get more information here.

So I guess my plan is that, this coming weekend, we should just make a call, and enact it before next Monday, one way or another.

Thoughts?

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A possible tweet thread:

1) We Came

We Saw

We Researched

2) Alameda Research was a huge part of my life. It was one of my largest successes—and then, briefly, largest failures—and then again successes.

The time I spent there will always be a part of me.

3) I think—and I may be a little biased—that Alameda has contributed a lot to the digital asset ecosystem.

It's contributed liquidity, of course—in markets, and stablecoins, and venture.

But it's done more than that.

4) Alameda has been one piece backstopping the ecosystem.

It's ironic, sometimes, to see people asking if Alameda sold Solana when markets crashed.

Ironic because the answer, almost always, is: it bought.

- 5) Alameda has been a buyer when no one else is ready to buy—when markets are wild and volatile and prices are crashing and capital is scarce—whether that’s projects, tokens, or companies.
- 6) Possibly no time as prominent as Sushiswap.

During its darkest days—the time when *no one* wanted to help, when *everyone* had pitchforks—we were given the task of bailing it out.

And we did: we cleared our calendars and helped stabilize the protocol, supporting it until it was healthy enough to stand on its own feet again.

- 7) And Alameda has built.

It’s built infrastructure. It’s built nodes. And it’s helped guide a huge number of projects.

- 8) I’m proud of what I was able to do at Alameda. But I’m even more proud of what Alameda has been able to do since I left:

Becoming a large global source of liquidity, guidance, and backstopping for the entire ecosystem.

- 9) And, you know, doing a good trade now and then—sometimes helping customers can be profitable.

(When Japanese traders were charged 10% more for each BTC, Alameda jumped in and provided liquidity—giving them better prices, and briefly doing an incredibly excited arbitrage.)

- 10) I think that liquidity is incredibly important for any ecosystem, but *especially* so for a nascent one like crypto.

The number of sophisticated liquidity providers has increased rapidly over the last few years, rendering Alameda’s on-exchange trading less important for the ecosystem than it once was.

- 11) But less important doesn’t mean unimportant, and it still plays a valuable role.
- 12) Which is one of the reasons that I’m sad to announce that, today, Alameda Research is doing its final trade.
- 13) There are a lot of pretenses I could give—but the truth is none of them are really true.

For the past few years, the FUD around Alameda’s relationship with FTX has been too much of a burden to justify its existence.

- 14) This FUD has been largely spread by competitors of FTX, looking to distract from their problems.

And, it’s not true.

I can say that until I’m blue in the face, but in the end I have to face reality: the PR cost is not worth it.

15) So, to clear the air once and for all:

Alameda's role, previously, was providing liquidity. It did so at its own expense, going through the same orderbook as everyone else.

Going forward, Alameda will continue to not do nefarious trading activity on FTX, because it won't do *any* trades on FTX.

Or anywhere else.

16) It's too bad, for the space, that this is where we've ended up.

It's especially galling because some competitors have internal trading desks that are an (open) secret, which specifically use confidential customer information to manipulate their own markets.

And then try to distract by talking about legitimate liquidity providers in the space.

17) But I'm done fighting that PR battle.

And in the end, what's done is done.

18) Alameda had a great run.

And It will continue to engage in the ecosystem, as an investor and supporter and infrastructure developer. But no longer as a general exchange liquidity provider.

19) I'll end with four last fun facts about Alameda.

20) First, Mashing.

For a glorious month in January 2018, every weekday Alameda would wake up, buy BTC at ~\$10k in the US, and sell it at ~\$11k in Japan.

One step of this process was turning JPY into USD.

21) The banking interface was incredibly slow for doing this, and limited to \$100k per transaction.

Also, we only had about 10 minutes between when the JPY hit our bank account and the wire transfer deadline to send out USD.

22) So, around midnight every night, we would all stop what we were doing and load the bank website.

Peter, who built a huge amount of Alameda's initial operations, would start playing <https://www.youtube.com/watch?v=vNuVifA7DSU&t=5s>

And we would all simultaneously click, as fast as we could, through the prompts; until we ran out of time and send out whatever USD we'd been able to buy.

23) Second, my biggest failure:

In February 2018, we got lazy—and our accounting was lazy—and we lost most of what we'd made.

Employees were sad and angry and frustrated, and I had *no* idea what to do about that.

24) It wasn't until the company split in two that I came to terms with the following facts:

a) In the end, *everything* is my responsibility

b) I can't make everyone happy, and if people are unhappy they should leave

c) The most important thing is that I make sure we do the right things as a company

25) (For those conspiracy theorists wondering if Alameda is secretly Lantern:

No, Lantern was created four years ago by those who left over differences in management style; we've not been on speaking terms.)

26) A third story is one I wrote in summer of 2019 on a hot, muggy day in Taipei:

Tonight We Are Young

[https://docs.google.com/document/d/1o-94nH0kFgSCkjXkIK3oLzyHxdU1HBT8ITN\\_aSbczt8/edit?usp=sharing](https://docs.google.com/document/d/1o-94nH0kFgSCkjXkIK3oLzyHxdU1HBT8ITN_aSbczt8/edit?usp=sharing)

27) And, finally, a fourth story, one you guys already know.

Because nothing is more exciting to me than finding a great team building a great project and going all in on it:

[https://twitter.com/SBF\\_FTX/status/1347964322459262977](https://twitter.com/SBF_FTX/status/1347964322459262977)

28) Alameda Research is dead.

Long live FTX.