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Kenneth Griffin Looks Back On Citadel's 25 Years

By MICHAEL J. de la MERCED

Twenty-five years ago, Kenneth C. Griffin got a break when, as a newly minted Harvard graduate, he drew backers to start a small investment firm in Chicago. Since then, that firm has become Citadel, a \$25 billion financial colossus that has become one of the biggest market makers around, a company that counts a former chairman of the Federal Reserve as a senior adviser.

On the occasion of that anniversary, Mr. Griffin — now a billionaire seven times over, according to *Forbes* — has sent a letter to his firm's investors looking back on the roots of Citadel's success.

In the letter, a copy of which was reviewed by DealBook, the hedge fund manager ascribed the firm's rise to both technical prowess and its team of now 650 investment professionals.

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"In our first decade, I interviewed about five thousand people in pursuit of the talent that would create our future," Mr. Griffin wrote in the letter. "As our success grew, we became known across the four corners of finance not just for our outstanding returns, but also for our outstanding people."

The beginnings of Citadel are Wall Street lore: As a sophomore at Harvard, Mr. Griffin had a satellite dish installed on the roof of his dorm room to trade the relatively arcane area of convertible bonds.

"We were 19 or 20 at the time," said Alex Slusky, the founder of the investment firm Vector Capital and a classmate of



Mr. Griffin's. "That was not something most of us knew anything about."

By the time Mr. Griffin graduated, he had turned down a lucrative offer from an investment bank — one that Mr. Slusky said was roughly twice as rich as offers their other finance-minded classmates had received — to move to Chicago with the support of several backers.

Among those initial investors was Frank Meyer, a co-founder of Glenwood Partners. According to Mr. Griffin, it was Mr. Meyer who encouraged the rookie investor to dream big about what the newly minted firm could do.

"Frank always encouraged me to think of the business as a platform," Mr. Griffin said in a telephone interview from Seoul. "Having your first investor embrace you

as someone they think can make that happen is really inspirational."

Citadel quickly became known as a hypercompetitive hedge fund not shy to throwelbows, capitalizing on the stumbles at Long-Term Capital Management and Enron to build its team and make money. (When asked about the reputation of his firm as having a challenging environment, Mr. Griffin said that the Massachusetts Institute of Technology is a tough place to go to college as well, but is stocked with people eager for a challenge.)

Yet the firm has also faced its challenges, notably during the financial crisis of 2008. ... Mr. Griffin took the unusual step of holding a conference call to defend the health of the financial institution he had built.

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And its market-making operation, underpinned by the firm's traditional focus on competing with technology, has become one of the biggest on Wall Street for stocks and equity options, with an aggressive move into derivatives like interest-rate swaps.

To Mr. Griffin, the growth of the market-making division is both an example of the diversity of operations that Mr. Meyer encouraged and a sign of how others at Citadel have helped build its empire.

"It came down to a colleague who had the vision and me knowing he had the talent to make that happen," Mr. Griffin said. "What's lost in the Citadel story is how good my partners are."

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