

Experiences with Bitcoin

*“Predictions are difficult,
especially about the future”*

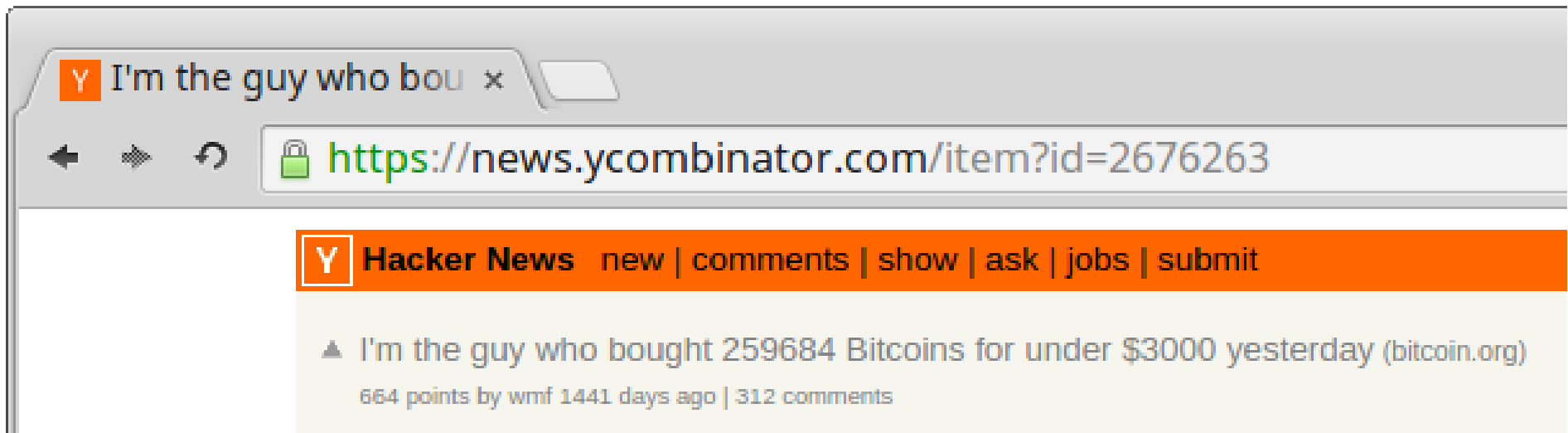
Daniel Michulke, June 2 2015

Hiero  a/s/b/l

What will I talk about

My experience with Bitcoin

- From the first appearances in HackerNews ...



What will I talk about

My experience with Bitcoin

- From the first mentioning in HackerNews ...
- to this

事件番号 平成26年(フ)第3830号 Case No.: 2014 (fu) No. 3830	裁判所・破産管財人使用欄 For Court/Bankruptcy Trustee Use Only
破産者 株式会社MTG O X Bankrupt Entity: MtGox Co., Ltd.	No.
破産管財人 弁護士 小林 信明 Bankruptcy Trustee: Nobuaki Kobayashi, Attorney-at-Law	
届出期間 日本時間2015年5月29日まで Filing Period: until May 29, 2015 (Japan time)	
	受領日 Date Received
破産債権届出書 Proof of Bankruptcy Claim	平成26年(フ)第3830号 書類受領事務担当 2014 (fu) No. 3830 Contact Person for Receiving Documents
作成日 2015年 5月 1日 Date prepared:	年 月 日受付 Date received:
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- and much more

Who am I

- Daniel Michulke
- PhD in Computer Science
- Consultant Data Science / Quant Finance

Outline



Phase I: Ignorance

- until 100\$ / early 2013
- Mostly read a few articles in non-mainstream media (HackerNews, crypto-anarchy forums, ...)
- What I did:
 - Laughed about BTC until ~ 70\$
 - then invested
- Hindsight: Should have done the other way round

Phase II: Learning

Why?

- Price reached 100\$
- Originated at Cypherpunks
- Discussions at HackerNews
- Investors were Smart Tech people or gamblers – ahead of the crowd → \$_\$
- You can only know it if you did it

What could possibly go wrong?

- Is bitcoin resilient? (network, software, unforeseen events)
 - Network: distributed worldwide
 - Protocol / Crypto: proven (didn't check proofs though)
 - Software: Miner voting mechanism
 - Unforeseen events: Software / Protocol can be adapted
- Defense
 - Incentives: Malicious Hackers, Holders of BTC, Miners, all benefit
 - Opportunities: No real weakness / attack vector
 - Mitigation: Price

Why would someone invest?

- Bitcoin is efficient for transfer of money
- Bitcoin is outside state control
 - Confiscation not possible
 - Ban not effective
- Target price:
 - 1% of World GDP (77 tn \$) traded in BTC
 - $770 \text{ bn} / 21 \text{ mn} = 37\text{k}\$$

Phase III: Investment

- March 2013, 130\$
- Small amount: a few thousand \$ via bitstamp
 - Bitcoin was not yet mainstream
 - target: 300x increase in price
 - knowledge advantage
- Build an arbitrage bot (never good enough)
- Created several accounts, split money across exchanges and my wallet

Phase IV: What happened then...

- Cyprus Feb/March 2013
- April 2013: Bitfloor was hacked and closed
- Argentina Rising Inflation, prohibition of USD
- 2013/14: MtGox Insolvency becomes apparent
- Rulings for/against BTC as a currency
- High/Low: 1150 / 200 USD
- Price now: 230\$

What happened to my BTC

- Sold ~50% at 600-700\$ because I felt greed
- Moved by BTC fast enough except at MtGox
- Send a Bankruptcy Claim Filing 2 weeks ago over a few hundred thousand Yen

Summary

- Price target was a little out of range (for the time being)
- Assumptions re resilience: right
- Assumptions re exchanges: not so much
- Of all the exchanges, I was lucky to pick the right one (bitstamp)
- I learned a lot (about APIs, BTC market behavior, expecting the unexpected)
- I still hold a few bitcoins

Outlook

- Bitcoin as money:
 - Depends on monetary value of other currencies and CB action (→ incentive)
 - Depends on legal context (→ opportunity)
- Bitcoin as transfer mechanism:
 - Competition by other systems with fiat currencies and govt support (Ripple, Tembusu, Stellar)
 - Competition other cryptocurrencies

Disclaimer

- no affiliations with any third party except hiero asbl
- No trading advice
- My opinions are not better than yours!

Thank you / Q & A

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