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Bitcoin Whales: Who Are They and How They Trade?

Bitcoin whales are those who hold enough Bitcoin to affect the value of the cryptocurrency. This is what happens when they buy and sell.

Quick Takeaways

- Bitcoin whales hold a huge amount of Bitcoin(BTC).
- The 10 biggest Bitcoinwallets have control of 6% of BTC.
- When whales buy, sell, or even just transferassets, they can create ripples in the markets.

While digital assets theoretically help facilitate a level playing field for individuals, in distributed networks such as Bitcoin, some people have more leverage and influence than others: whales.

Bitcoin whales are people or entities that hold enough Bitcoin to influence or even manipulate the value of the currency. The bigger the price movement, the bigger the whale.

According to data from BitInfoCharts, the 10 largest BTC wallets control 6% of all Bitcoin in circulation, representing roughly $50 billion, while the top 100 wallets hold nearly 15% of all Bitcoin ($124 billion).

To fully grasp Bitcoin's price movements, it's important to know who these Bitcoin whales are and how they operate.

Four main groups of bitcoin whales

Bitcoin addresses provide users with some anonymity. Therefore, reverse-engineering the identities of influential wallets, while not impossible, isn't always easy. That said, Bitcoin whales can be divided into four general groups:

- **Exchanges:** Cryptocurrency exchanges have steadily increased their stores of BTC over the years, making them some of the largest centralized owners of Bitcoin. They do so to increase their liquidity and allow more trading. A 2019 analysis by TokenAnalyst found that an estimated 6.7% of Bitcoin in circulation was held on exchange wallets. As evidence, four of the six largest Bitcoin walletsbelong to Binance, Bitfinex, and OKEx.
- **Institutions:** This category can be subdivided into other groups, such as for-profit companies and funds representing accredited investors. One of the biggest holders of Bitcoin is digital asset manager Grayscale**,** a subsidiary of Digital Currency Group. It oversees $29 billion worth of Bitcoin—over 3% of the current market cap. With 654,600 Bitcoinon hand to back investors' dollar contributions, Grayscale Bitcoin Trust is the largest Bitcoin fund in the world.
- **Satoshi Nakamoto:**Bitcoin's pseudonymous creator, Satoshi Nakamoto, deserves his own category. Leading cryptocurrency researcher Sergio Demian Lerner has estimated that Nakamoto may have mined over 1 million BTC between January and July of 2009. Although there is no single wallet that possesses 1 million BTC, using Lerner's research we can see that of the first 1.8 million or so BTC first created, 63% have never been spent. If Nakamoto indeed is sitting on all of these coins, his fortune would be worth in excess of $40 billion.
- **Individuals:**Several prominent individuals bought Bitcoin early, when it's price was much lower than today. The founders of cryptocurrency exchange Gemini, Cameron and Tyler Winklevoss, are believed to have invested $11 million in Bitcoin in 2013 at $141 per coin. That would make their assets, about 78,000 BTC, worth around $3.5 billion today. American venture capitalist Tim Draper purchased 29,656 coins at $632 apiece at a U.S Marshal's Service auction. His trove is worth over $1 billion. Digital Currency Group founder and CEO Barry Silbert attended the same auction and acquired 48,000 Bitcoin, now worth $2 billion.

Not all whales are known, however. And most, like Satoshi, are dormant. In fact, 64 of the top 100 addresses have yet to withdraw or transfer any Bitcoin, including a Binance cold wallet with 288,126 BTC ($13 billion).

What happens when bitcoin whales trade?

Given whales' significant concentration of wealth, large buy or sell orders can cause ripple effects. That's something companies want to avoid when making large purchases, lest they cause the price to rise while they're still buying. Take MicroStrategy, for example, a public company that holds 105,000 BTC ($4.7 billion).

MicroStrategy CEO Michael Saylor has said the company used a "macro buy strategy" in which it purchased nearly 20,000 Bitcoin in thousands of smaller trades. According to Saylor, during one purchase, the company “traded continuously 74 hours, executing 88,617 trades.” Despite the deliberately small transactions, the company was prepared to buy anywhere between $30-50 million of the asset in a few seconds if Bitcoin’s price dropped by 1 to 2%.

While large buy orders can quickly drive the price up, large sell orders do, well, the opposite. If sellers try to convert their holdings of BTC to cash or alternative currencies, a lack of liquidity coupled with larger transaction size can create downward pressure on Bitcoin’s price. This can lead to a fire sale as retail investors panic and follow suit.

Because crypto markets are under-regulated, whales can use large buy/sell orders to manipulate market sentiment – for example, by creating large, unrealistic sell orders to artificially depress prices, or by creating large buy orders to temporarily inflate prices.

However, while whales cause sporadic price fluctuations or short-term market volatility, as global crypto market adoption and maturity increases – and prices rise – bitcoin will continue to escape the whales’ long-term influence.

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