# The Volatility Tax:
# Why Crypto Traders Are Getting Robbed

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*Whether through options that decay while you're right or perpetual futures that bleed funding rates, the current tools for capturing movement are structurally designed to transfer your capital to exchanges and market makers. This paper examines why existing volatility instruments fail retail traders and how MOVE contracts (derivatives that pay based purely on absolute price movement) offer a cleaner, fairer alternative.*

## I. Introduction

Bitcoin's at $65,000 and has been grinding sideways for weeks. Your Twitter feed is a warzone of bulls versus bears. You've done the analysis and have conviction about exactly one thing: something big is coming. Not "big up" or "big down." Just big.

Trading that movement should be simple. Volatility is the defining characteristic of crypto markets. But your options for trading it are garbage. You can trade options and watch theta decay eat your position while you wait for the move. Or you can try a perpetual futures straddle and bleed funding rates while frantically rebalancing to stay delta neutral. Both approaches work if you're a professional market maker with quant teams and millions in capital. For everyone else, they're mechanisms to transfer your money to exchanges, one basis point at a time.

This is the volatility tax. And you've been paying it every time you've tried to trade movement instead of direction.

## II. Why Current Tools Fail

Options straddles are the textbook way to trade volatility. Buy a call and put at the same strike, capture movement in either direction. But the mechanics work against you. You're paying an elevated premium when implied volatility is already high. You're bleeding theta decay every day the move doesn't happen. And when BTC finally rips from $65K to $75K, you need to ask: did I make enough on the call to cover both premiums plus the decay I suffered waiting for? The answer is usually no. You were right about the move, wrong about the timing by three days, and the position expired worthless. Being right never felt so wrong.

The perpetual futures approach seems clever: go long spot, short the perp, stay delta neutral. When BTC moves, your gains and losses offset, you're just capturing the volatility. Except this isn't actually a volatility trade. You're doing basis arbitrage, earning funding when it's positive, paying when it's negative. Your PnL depends on funding rates, not movement. And the moment BTC moves 3%, your hedge ratio breaks; you're no longer neutral. Rebalance. Pay fees. Eat slippage. Repeat. You've locked up capital on both spot and perp exchanges, introduced counterparty risk, and built a position that requires constant monitoring just to maintain neutrality. This isn't volatility exposure. It's a carry trade masquerading as vol.

## III. What MOVE contracts are

The payoff formula is |Current Price - Reference Price|. That's it. BTC at $65K, you buy a weekly contract. At expiry: BTC at $71K, you make $6K. BTC at $59K, you make $6K. BTC at $65.5K, you make $500. Direction doesn't matter, only magnitude.

No Greeks. No funding rates. No rebalancing. Your PnL is the absolute price movement. This isn't a clever hack or a synthetic construction, but a native instrument for the thing you're actually trying to trade.

The simplicity matters because it removes structural advantages. Options markets are dominated by sophisticated market makers who profit from complexity, wide spreads, model opacity, and constant hedging that

retail can't replicate. MOVE contracts have linear payoffs. If you have capital and a volatility view, you can make markets. Lower barriers mean more competition, tighter spreads, better price discovery. It's not a rigged game where professionals win through better infrastructure. It's a market where the better view wins.

## IV. The Numbers

You've got $1,000. Bitcoin's at $90K, coiling for two weeks before a Fed announcement. Weekly MOVE contract is trading at 4,200, which means the market expects roughly $4.2K of movement. You look at the range compression and historical Fed-day volatility. You think 4,200 is low. You go long.

Fed signals something unexpected. Bitcoin drops 8% to $82.8K. That's $7,200 of movement. Contract settles at 7,200. You bought it for $4,200. Profit: 71% in a week. You bet the market was underpricing the move, and you were right.

Alternative: Fed says nothing new. Bitcoin drifts to $91.5K; just $1,500 of movement. Contract settles at 1,500. You lose 64%, keep $357. Painful, but the position didn't decay, didn't get liquidated, didn't bleed funding. It settled at realized volatility, which was lower than you bet.

MOVE contracts are leveraged directional bets on magnitude. One trade, defined risk, settlement based on what you're actually trading.

## V. Who Trade This

In traditional finance, volatility is an asset class. Not a side bet, not a hedge, not a footnote. Universa, Capstone, and LJM are billion-dollar funds that exist solely to trade vol. Every major bank has a dedicated volatility desk. VIX futures, variance swaps, and volatility options are deeply liquid, institutionally-backed instruments with consistent daily participation. The infrastructure for volatility trading in TradFi is mature, massive, and profitable.

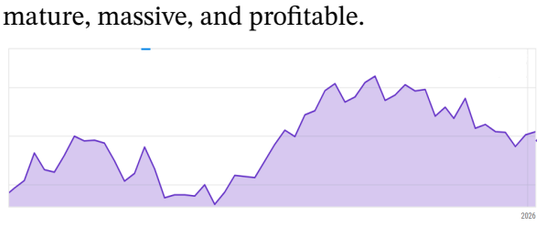

**Figure 1:** *VIX Futures Open Interest Growth during 2025*

In crypto, nothing equivalent exists. We have tens of billions in daily derivatives volume. Hyperliquid alone makes $16B+, dYdX, Binance, OKX, and others add billions more. But all of that volume is directional. There is no clean, native instrument to trade volatility itself. Deribit holds $60B+ in options open interest and dominates the market, but options are complex, require Greeks management, and are designed for sophisticated participants. Ribbon and Friktion tried structured vaults, but you're locked in for epochs trading yield, not movement. Polymarket launched Volmex contracts for BTC and ETH implied volatility, which validates the demand but through prediction markets, not proper derivatives infrastructure. The closest thing to what we're building was FTX's MOVE contracts, which were among the most popular products on the platform before fraud destroyed the exchange. Nobody rebuilt them.

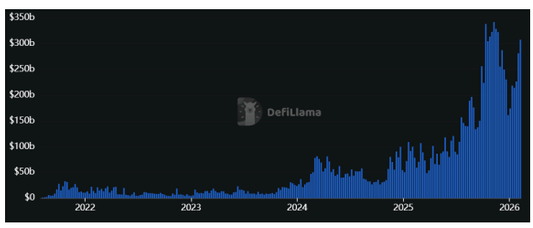


**Figure 2:** *Crypto Derivatives Daily Volume Growth (2021-2026)*

**For retail:** Every perp trader sizing up before CPI or FOMC is implicitly trading volatility. MOVE contracts make that explicit: direct exposure to magnitude, no directional guessing, no liquidation from picking the wrong side. The Total Addressable Market is every derivatives trader who has ever been right about the move but wrong about the direction.

**Institutional and B2B**: Platforms like Talos already bridge buy-side clients into DeFi liquidity through integrations like Uniswap Labs. The same model applies here: MoveX as the protocol layer, institutional platforms plugging in to offer vol products to their clients. Hedge funds need an API and deep liquidity, not a frontend. Market makers can quote two-sided markets on a linear payoff instead of managing complex options hedging books. This isn't just a retail product. It's infrastructure.

## VI. Beyond Crypto

MOVE contracts work on any asset with a reliable price feed. It doesn't care whether the underlying is BTC, ETH, tokenized gold, or a treasury bond. Adding a new market requires nothing more than an oracle feed and a listing. Same settlement engine, same margin system, same Insurance Fund.

The RWA market makes this relevant now. Ondo, BlackRock's BUIDL, and Superstate have tokenized billions in treasuries and real-world assets. Chainlink and Pyth already provide institutional-grade price feeds for these assets on-chain. The assets exist, the price feeds exist, but there are no derivatives to trade their volatility. Institutions already trade vol on these assets in TradFi through bespoke OTC instruments. An on-chain, transparent, 24/7 alternative with verifiable settlement is a natural extension.

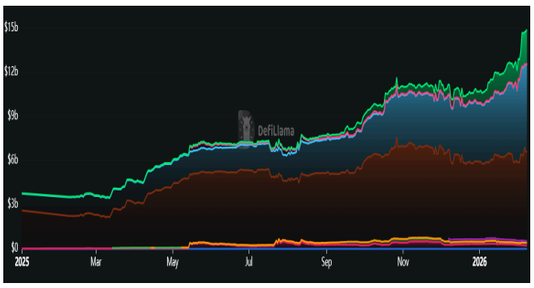


**Figure 3:** *Tokenized RWA Market Cap Growth*

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## VII. What We're Building

MoveX runs on HyperEVM with a hybrid architecture: off-chain order book for speed, on-chain settlement with ZK proofs for security. Collateral never leaves the chain. The sequencer can match orders but can't touch funds or front-run. Liquidations go through the order book first and Insurance Fund second. Circuit breakers trigger on oracle deviation. Emergency withdrawals work even if the sequencer goes down. The infrastructure to build this properly (reliable oracles, fast L1s, ZK verification) didn't exist two years ago. It does now.

The hard part isn't the product design. FTX already proved that MOVE contracts generate real demand. The hard part is execution: bootstrapping liquidity for tight spreads, building robust risk management, and earning trust after an industry where the last team to offer this product committed fraud. We're not claiming we'll succeed because we're smarter. We're claiming the opportunity is obvious, the tools finally exist, and we're building it the right way.

Testnet launches March 2026. With derivatives, there's no ambiguity. Volume is truth. Either the product works and traders show up, or it doesn't and the market keeps paying the volatility tax. We think they're tired of paying.

## References

**Figure 1**: *VIX Futures Open Interest Growth during 2025. Source: CBOE VIX Futures Open Interest, ycharts.com. Available at: https://ycharts.com/indicators/cboe_vix_futures_open_interest*

**Figure 2**: *Crypto Derivatives Daily Volume Growth (2021-2026). Source: DefiLlama Perps Dashboard. Available at: https://defillama.com/perps*

**Figure 3**: *Tokenized RWA Market Cap Growth (2025-2026). Source: DefiLlama RWA Dashboard, Active Market Cap. Available at: https://defillama.com/rwa?chartType=activeMcap*