

Legend in his own futures is neither shy nor retiring

PROFILE
LEO MELAMED

Hal Weitzman talks to the former CME chairman

Leo Melamed protests a little too much when asked about his early career as an actor in Yiddish-language theatre. "As an actor, I kind of stunk," says the former chairman (and now chairman emeritus) of the Chicago Mercantile Exchange. "I was too much of an amateur to consider myself really worthwhile."

In fact, the 76-year-old is a talented performer, one who plays the role of Leo Melamed – founding father of financial futures, spiritual leader of the CME Group and oracle of the derivatives world – so faultlessly, that it is impossible to sift myth from reality.

Other futures traders used to tell Mr Melamed that he was a legend in his own mind, but he has always been attentive to the need to cultivate his status more widely. "I used to joke that I had to come on the floor every day to show the crowd that the legend really existed," he wrote in *Escape to the Futures*, his autobiography.

Certainly his arrival in the US and at the CME is the stuff of legend. Born Leibl Melamedovich in Bialystok, Poland, his Jewish family fled the Nazis to Lithuania, across Siberia to Vladivostok, on to Japan and finally

to the US, outwitting both the Gestapo and the KGB on the way.

Another legendary chapter came when he was at law school and a friend pointed him to an advertisement for jobs at Merrill Lynch, Pierce, Fenner & Beane. They both thought the investment house was a law firm.

After working for two years as a messenger on the trading floor, when he turned 21 he borrowed the \$3,000 CME membership fee from his father – whose total savings at the time were \$5,000. For six years, he worked as a lawyer and a trader "running between court and the Merc and trying to juggle both", before taking up trading full time.

Becoming chairman of the exchange aged 37 was remarkable for someone who, on first arriving in the US, had struggled to be accepted, hampered by his small stature, lack of English and inability to play baseball.

Without doubt, Mr Melamed's achievements in the world of derivatives are considerable – and he is neither modest nor shy about them.

In 1972, as CME chairman, he spearheaded the introduction of financial futures through the creation of the International Money Market, launching first currency futures and later contracts on US Treasuries, Eurodollars and stock indices.

While there is a debate over who originally conceived of financial futures (the idea had already been

tried, albeit on a smaller scale), there can be no doubt about their impact. "In all humility, I can say I changed the nature of futures markets," he observes.

At the time, there was much scepticism about Chicago's ambitions, as there was in the early years of Globex, the CME's electronic trading system that, alongside financial futures, is Mr Melamed's proudest achievement.

Intriguingly, he claims the idea sprung out of *The Tenth*



'In all humility, I can say that I changed the nature of futures markets'

Leo Melamed

Planet, a science-fiction novel he wrote in the mid-1980s, set in an advanced civilisation controlled by a central computer called PUTRAL.

Mr Melamed says that one day, while he was writing the book, he was standing at his trading desk watching runners taking orders to the floor. "I thought: 'If I could invent a computer that could run five planetary systems, couldn't the world invent a mini PUTRAL that could

run orders between the bids and execute them?'"

He also claims credit for several other chapters in the CME's history. In 1975, for example, he says he persuaded legendary Chicago Mayor, Richard J. Daley, to override the city's building regulations to allow the architects of the CME's headquarters to cantilever over the street.

He says the 2007 purchase of the Chicago Board of Trade only became a practical goal after the idea came to him, one sleepless night when he was thinking about how the CME should respond to the NYSE's acquisition of Euronext. And he claims to have paved the way for this year's acquisition of Nymex, by persuading the CME board to allow the New York energy exchange to use the CME's electronic trading platform.

When it comes to the CME's plans, Mr Melamed is more coy, but he is a strong believer in strengthening ties with Asian exchanges.

"This century will be the Asian century. But China will never reach its potential until they take the handcuffs off the population and let them speak."

Still an active trader, Mr Melamed says retirement is out of the question. "There is never a bigger mystery than working out which way the Eurodollar, the S&P or bonds are going that day or next week or next year," he says. "Those are huge challenges and they keep me very much alive."