

Merc rings in its new headquarters

Spacious new trading home fulfills a 15-year-old promise to Chicago

By David Greising
and Jerome Idaszak

With a burst of shouting and flailing arms, trading at the Chicago Mercantile Exchange's new headquarters opened Monday at 7:30 a.m. sharp.

A ceremonial bell, clanged by Mayor Washington, animated traders in the currency pits of the Merc's new home at 30 S. Wacker. In the first transaction, a December Swiss franc futures contract sold for 4608 dollars to the franc.

House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) joined a swarm of public officials, including Susan M. Phillips, chairman of the Commodity Futures Trading Commission, at the opening.

"The Merc is to Chicago what oil is to Texas and Oklahoma, what milk is to Wisconsin and what corn is to Iowa," Rostenkowski said before the opening.

Merc Chairman Brian Monieson said the new facility "represents our belief in the importance of the futures markets and our belief in the future of the city."

In an earlier interview, Monieson said the new headquarters "brings us more status in the financial community."

It also delivers a promise made to the late Mayor Richard J. Daley about 15 years ago, when Merc leaders were ready to launch expansion into futures on Swiss francs, German marks and other foreign currencies.

"When we were creating the International Monetary Market and Mayor Daley asked questions about it, I said we were going to move the center of gravity for finance to Chicago," recalled Leo Melamed, former chairman of the Merc who continues as its special counsel.

"We've done a bit of that. We've fulfilled a promise to the city. Probably a lot

of people won't know it, but it's a meaningful event to this city."

To prepare for Monday's opening, the Merc held mock trading sessions after hours last week, and tradesmen worked through the weekend after the exchange closed for trading last Wednesday afternoon.

The new home boasts a 40,000-square-foot trading floor—the biggest in the world, slightly larger than that of the rival Chicago Board of Trade.

At Monday's opening, the enlarged pits did not swallow up traders on the floor. When trading in the Standard & Poor's 500 stock index future—the last contract to open—began at 9 a.m., the S&P 500 pit was crammed, and activity in all of the other pits remained robust.

Besides adding floor space, the new facility brings the Merc an improved image, Melamed said. The Merc's new home is "a major statement about the Merc and its progress."

"It's a kind of missing piece. The exchange grew in volume and stature, and it couldn't complete its growth without a center of its own."

"When I visit major institutions," he continued, "I'm interested in where they house themselves, and how they house themselves."

The Merc's old home at 444 W. Jackson was added on to an office building already under construction. "At the time, it was the most we could afford," Melamed said.

That was in 1972, when the Merc moved, also over Thanksgiving weekend, to a site above Union Station—its fourth home.

The first home was at Randolph and Lake, when the Merc was known at the "Butter and Egg Board," in 1919. Membership sold for \$100. (A full membership

See MERC, Page 66



Trading gets under way Monday at the Chicago Mercantile Exchange's new headquarters on S. Wacker. (Sun-Times Photo by Barry Jarvinen)

Continued...

MERC: Promise to Chicago fulfilled

Continued from Page 63

sold for \$239,000 earlier this month.) The Merc moved in 1919 to Lake and La Salle, and then in 1928 to a 14-story building at Washington and Franklin.

The butter and egg business was about to collapse in the years after World War II when the Merc in 1961 introduced futures on live cattle. It was a revolutionary step, because futures trading had been limited to grains and other commodities that could be stored.

Futures on live hogs, frozen pork bellies and lumber followed in the '60s. And then plans were laid for the jump into financial products.

"We started to talk about a bigger floor," Melamed recalled. "There was a fear among the older members about expanding beyond our abilities. It was almost a superstitious fear."

The members voted to move, but the expansion had to be financed without debt—which set a \$6.5 million ceiling.

(A decade later, the Merc's new building—the trading complex and 10 percent of the adjoining office tower—would constitute a \$57 million investment.)

Exchange officials believed the space at 444 W. Jackson would suffice for a decade. That was 1972, when the Merc's volume was 5 million contracts, compared to a record nearly 35 million already this year.

But growth became a boom with the introduction in 1976 of futures on 90-day U.S. Treasury bills. In late 1981, trading began in futures on Eurodollar deposits.

And then the important link between futures and stocks began in 1982 with futures based on the Standard & Poor's 500 stock index.

The Merc's space became tight five years ago, and cramped quarters have delayed trading in energy futures and other new products the Merc wants to launch.

For a while during the 1970s, there was talk among city bankers and exchange officials of consolidation into one big financial center.

But the exchanges, not wanting to submerge their identities, failed to agree.

So the CBOT built a 23-story addition just south of its longtime home; the Chicago Board Options Exchange began building south of its CBOT quarters; the Midwest Stock Exchange set a move to a building just south of the new CBOE site, and the

Merc set its sights on S. Wacker.

While the new building will give traders a view of the Chicago River and club facilities to entertain guests, the new trading floor is aimed at giving the public faster execution of trades.

"It's state-of-the-art the day we move in," Melamed said. "The next day, who knows who will invent what."

"It's a luxury to be able to sit back and look at where the business is going, and design with this in

“It's state-of-the-art the day we move in. The next day, who knows who will invent what.”

”

mind. Everything [to date] has been piecemeal growth," Monieson said.

And, anticipating more growth, the Merc has an empty 30,000 square feet above the main trading floor for another expansion at some time.

"I don't think we'd start [trading there] for a couple of years," Monieson said. "But the members' dinner dance will be held there this year."

Asked about reaction by the exchange's 2,600 members, Monieson said, "It hasn't dawned on them. It's so much bigger than the existing floor [23,000 square feet]."

Looking toward future needs, Melamed said the industry certainly won't match the 2,200 percent growth of the past decade.

"Now, a 10 or 20 or 50 percent increase over the next 10 years would be enormous," he added.

And he sees such gains as likely because banks, insurance companies and other commercial institutions, who weren't in the business at all 10 years ago, are beginning to trade more futures.

For Melamed himself, long identified as a prime mover, if not the main man, of the Merc, the new building is a personal triumph. "It epitomizes some of the work I've done for the institution for many years," Melamed said.

A monument to him?

"Certainly to the Merc. It was an insignificant institution 15 years ago. It's hard to match that story in business."



The Merc's new home, a \$57 million investment, stands at 30 S. Wacker. (Sun-Times Photo by Barry Jarvinen)