

## Melamed Changes Mercantile Course

BY GEORGE BEARDSLEY

Intangible changes in the Chicago Mercantile Exchange during the last three years represent far more important accomplishments than the rising volume of business and the new \$6 million home now under construction, according to the man who is credited with binging about both kinds of change.

Leo Melamed, who has been chairman for these three years, says that strict policing of exchange rules and establishing communications between exchange governors, members and the industries served by the exchange's futures market are the most important accomplishments of his term in office.

### Higher Fines, Penalties

In an interview, Melamed confirmed La Salle Street reports that the Merc has handed out higher fines and penalties than any other exchange for violations of its own rules since he became chairman.

The these fines have ranged up to a total of \$50,000, the exchange hasn't had a policy



Leo Melamed

of making public announcements when disciplinary action was taken, so few persons outside of the industry were aware of the extent of the reform.

In contrast, \$5,000 is the largest fine levied against a member by the Chicago Board of Trade, the world's largest commodity futures exchange.)

### Modifying Its Policy

Melamed said the exchange is modifying its policy to give Ronald Frost, the Merc's vice president for public relations, "more latitude" in reporting disciplinary actions taken against members.

Some observers have said the Merc was overreacting by imposing such heavy fines in an effort to prove to members that the board of governors is serious about self-regulation.

### No Overreaction

"I don't think we have overreacted," Melamed said, "but it is true the exchange has implemented the strictest enforcement of its rules during the last three years.

"There will always be violations, but it is now a fait accompli that the members believe the exchange will never knowingly close its eyes to any violation."

In addition to a sharp eye for violations of exchange rules, Melamed said that the Merc's leadership has opened its ears to the members.

### Participatory Democracy

"In previous years, the board of governors was isolated from the membership; governors were autocratic and often acted in a manner that a consensus of the membership opposed," Melamed said.

"From this period six to seven years ago, we have evolved into an era where, in the last three years, the members have been given the opportunity to take part in the expansion of the exchange, its growth, and hopes. The board now is extremely sensitive to the wishes of the members."

He said he believes that the surge in the price of a membership (from \$35,000 to a \$90,000 peak and now trading about \$65,000) while he has been chairman reflects the faith of the members in the exchange, their belief that the Merc has a future.

Others relate the higher price for memberships to an increase in trading volume, but it may not be possible to separate the two.

### Needed a System

"When I inherited the chairmanship, I found an institution ready to do big things," Melamed said. "It looked to me like the business was going to come. What we didn't have was the system to handle the increase in business and the problems that would come with it."

In 1959, in preparation for the surge of business, the exchange implemented modern business management methods, reorganized, established departments with defined duties and trimmed the areas where duties of one department overlapped another.

The Melamed steps down as chairman in January, he will remain a governor of the exchange and said that the reforms will continue after the new chairman is elected.

### Obligated to System

He said he has devoted so much time to the Merc because he is trying to serve it.

exchange as one should serve his country.

"If you can't make it, a person shouldn't blame the system, but if you do make it in the system, you owe something to the system that made it possible. I like to think of myself as a citizen of the Chicago Mercantile Exchange," he said.

And, it's hard to be cynical when a Jew who escaped from Nazi-occupied Poland at the age of 7 says he feels he owes something to the system that made it possible for him to rise from runner to chairman of the nation's second largest commodity exchange.



Trading floor of new Chicago Mercantile Exchange building, scheduled to open next year at Jackson Boulevard and Canal Street.