

# OPEN OUTCRY

## Melamed Era Ends

Leo Melamed's surprise disclosure that he would step down formally as chairman of the CME Executive Committee and special counsel to the CME Board of Governors, as of December 31, 1990, was made at a special Board meeting on March 5, 1990. The decision, he said at the time, made after months of deliberation with family and friends, "cannot be altered."

"There comes a moment in everyone's career when he knows in his heart it is time for a change," Melamed explained in a personal letter to the CME membership. "After 23 years at the leadership of the CME, that time has come for me."

"The reason for my decision is quite simple and a consequence of time," Melamed stated. "It is a case when the many other things I wish to do, the many other endeavors that have appealed to me, the many other interests that I have held in abeyance, have overwhelmed the love, devotion and duty I feel toward the CME. That, coupled with the simple fact that the awesome responsibilities I have shouldered these many years have become a burden demanding too much sacrifice and offering too little reward."

### Decision Delayed

Melamed explained that his decision was delayed for several years because



Leo Melamed, CME Executive Committee chairman (left) and CME President William Brodsky during a March 5 press conference announcing Melamed's pending resignation from exchange leadership positions. (Copyrighted, Chicago Tribune Company; all rights reserved, used with permission.)

of industry events demanding his attention. The first delay resulted from the 1987 stock market crash; the second, from the federal investigation of trading practices on futures exchanges. Those two events delayed his plans to retire for more than three years.

In accepting Melamed's decision, CME Chairman John T. Geldermann said, "We will never be able to repay

him for his leadership and service over the last 23 years." The CME Board accepts Leo's decision "with feelings of regret, but full understanding," said Geldermann.

His retirement, Melamed explained, comes at a time when "business is booming, when our transaction volume is at a record pace, when our membership values are at the highest level of any exchange in the

nation, and when our future is bright." He then emphasized that he would stay through year's end to facilitate the orderly transition of his duties. He also said that he would remain as chairman of GLOBEX, to which he referred as one of the crowning achievements of his career, at least until the automated, electronic trading system is launched in 1991.

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"GLOBEX represents a revolutionary change in our industry and is the centerpiece of CME expansion strategy for the 1990s and beyond," he stated. "I have no doubt that GLOBEX is destined to become the standard for users of futures in every center of finance the world over. It is with deep pride that I have taken part in its creation and plan to preside at its inception."



GLOBEX is not the first revolutionary concept to be launched under Melamed's leadership. He is recognized as the founder of financial futures, considered a radical idea when currency futures debuted in 1972, but which ultimately changed the course of futures market history. Today financial futures markets exist in most financial centers around the world and account for approximately 63 percent of international futures trading volume.

The astounding success of financial futures was long ago acknowledged

by Professor Merton H. Miller of the University of Chicago. The 1990 winner of Nobel Memorial Prize in Economic Science some years ago termed financial futures "the most significant financial innovation of the last 20 years."

#### Altered Forever

The momentum created by financial futures led to the introduction of interest rate and stock index products, forever altering the complexion of the futures industry and propelling the CME from a small regional agricultural exchange into a financial giant that receives global prominence and acclaim.

Since Melamed's election to the Board in 1967 and his assumption of a leadership position, the CME's futures market share has grown from 15 percent to its current 32 percent. During that same period, CME trading volume grew from 1.4 million contracts to some 104 million contracts in 1989. Meanwhile, industry volume expanded from 9.5 million contracts to 323 million contracts. CME membership values rose from \$29,000 in 1967 to a cumulative value of almost \$1 billion in 1989.

In addition to positioning the CME as a model for the futures exchanges that have arisen around the world in recent years, Melamed's influence was also apparent when he spearheaded the concept of international linkages between exchanges, leading

to the CME link with the Singapore International Monetary Exchange (SIMEX) in 1984. It was the first such arrangement and was a key element in the globalization of futures markets and the development of GLOBEX.

Melamed's impact on the evolution of the industry was reflected in comments by CME President William Brodsky: "In two short decades, Leo has led the futures industry into unparalleled dimensions and he has shaped the CME into a world-class institution. Leo is irreplaceable. To say he will be missed is the ultimate understatement."

#### "A Gigantic Trench to Fill"

U.S. Agriculture Secretary Clayton Yeutter, the former CME president who was recently asked by President Bush to head the Republican National Committee, summed up what most observers felt when he wrote Leo Melamed that "...no one else's departure from a leadership role in the futures industry will leave such a gigantic trench to fill! In your absence the industry would be a fraction of its size and importance today. And without your guidance its geographic scope would not be global, and its market influence would be far less pervasive."

Melamed was, for the past two decades, the single most influential force in the industry. However, during the last several years his special

role took on global dimensions. Beginning with the 1987 stock market crash, throughout the ensuing examination of the markets and the period of globalization which followed, Melamed has consistently been the industry's most prominent voice, both as a defender of futures markets and as a forceful advocate of technological advancement.

Because of his many visits to Capitol Hill, Melamed has also maintained his role as the foremost industry spokesman in Washington. He has been quoted and featured in countless publications, including *The New York Times* and *Institutional Investor*, two journals that have cited him among the most significant financial newsmakers of the past decade.

Retirement from his CME posts will not signal a slowdown for Melamed. He plans to remain an active futures trader and will continue as chairman of Dellscher Investment Company. His firm is a clearing member of both the CME and the Chicago Board of Trade (CBOT). He will also continue to co-chair, with CBOT Board Chairman William F. O'Connor, the Common Goals Committee, formed jointly in September by the two exchanges. ■



# "... a Notable Legacy"

The scope of the futures industry and the impact of the CME on the national and international economic fronts are evidenced by the acknowledgments Leo Melamed has received since the March 5 announcement of his pending departure from official Exchange positions.

Shortly after the disclosure was made, a stream of letters, telegrams and phone calls began to flow into his office. As these messages are a fitting tribute to the impact Melamed has had on both the industry and the economy during his 23-year tenure at the CME, *Open Outcry* is publishing the following excerpts.

"... no one else's departure from a leadership role in the futures industry will leave such a gigantic trench to fill! In your absence the industry would be a fraction of its size and importance today. And without your guidance its geographic scope would not be global, and its market influence would be far less pervasive."

**Clayton Yeutter**  
U.S. Secretary of Agriculture

"Your contributions to the Mercantile Exchange have been enormous, and the achievements of your career have established a standard of public and private service that will be difficult, if not impossible, to equal."

**Thomas S. Foley**  
Speaker, U.S. House of Representatives

"Honoring your leadership at the Chicago Mercantile Exchange marks a significant milestone in an institution critical to producers and the financial community."

**Bob Dole**  
Republican Leader, U.S. Senate

"You don't need to tell me that you have been a real financial leader, and a great innovator; your reputation speaks for itself. Your creativity and drive have benefited the Merc, the City of Chicago, and the United States of America."

**Alan J. Dixon**  
U.S. Senate

"The dynamic leadership you have given during your 23 years has been the focal point of the rapid expansion of the Mercantile Exchange from a relatively small undertaking to one that has now reached beyond national borders, including your plan for GLOBEX. Your leadership has meant much to Chicago, Illinois, and the United States."

**Paul Simon**  
U.S. Senate

"Leo Melamed led the Chicago Mercantile Exchange during a period when America didn't have enough leaders. No one ever accused his followers of being docile, but he led nonetheless. Today the Merc is an international powerhouse. Leo is a good part of the reason why."

**Dan Rostenkowski**  
U.S. House of Representatives

"... I want to commend you for the outstanding service and commitment you have demonstrated during your tenure with the Chicago Mercantile Exchange. Yours is a history of contributions to the futures industry, worldwide financial markets, the launching of GLOBEX and most importantly, to enhancing the City of Chicago's reputation as a center for futures and risk management."

**Richard M. Daley**  
Mayor, City of Chicago

"During my life-long association with our industry, I have known no other person, in any business, who has such an uncanny ability to perceive the future. It is truly an amazing gift and we have indeed been fortunate to have had you leading the Chicago Mercantile Exchange through the 1960s, the 1970s, the 1980s and into the 1990s."

It has been my pleasure to have served with you during this amazing period—the golden years of commodity trading."

**John T. Geldermann**  
Chairman, Chicago Mercantile Exchange

"You have helped create an institution of great merit for which you and your colleagues can feel justly proud."

**Patrick J. Leahy**  
U.S. Senate

"Your tenure with the Exchange has been marked by the unprecedented growth in volume and stature of the United States futures industry, which is now the envy of financial markets around the world. ... we will miss your enthusiasm here in Washington."

**E (Kika) de la Garza**  
U.S. House of Representatives

"I was sorry to learn of your decision to retire from your Merc leadership role. I trust that it will not also be retirement from giving advice to your friends."

**Alan Greenspan**  
Chairman, Federal Reserve System

"I have admired your leadership at the Chicago Mercantile Exchange during the past quarter century. You can be proud of your significant innovations and the integrity that has characterized your accomplishments. And what a notable legacy you will leave at the Exchange as GLOBEX becomes operational!"

**Samuel K. Skinner**  
U.S. Secretary of Transportation

"Your 23 years of strong leadership have been vital to the success of the Chicago Merc as well as the entire industry."

**Nicholas F. Brady**  
U.S. Secretary of the Treasury

"My best wishes to you Leo for continued success in the future. I hope you have included plans for some "R and R" on your agenda before taking on another assignment. Again, my best wishes to you."

**John J. Phelan, Jr.**  
(former) Chairman  
New York Stock Exchange

"Your calm, deliberate manner has been a moderating force, guiding the Merc and the industry through often rough seas. Your practical approach to the exigencies of your business—and mine—has always been appreciated."

**Cardiss Collins**  
U.S. House of Representatives

"Those of us in government have come to depend on your vision and spirit of cooperation. ... You have always been a source of calm and reasoned advice during the often stormy debates in Washington."

**Edward R. Madigan**  
U.S. House of Representatives

"... you can look back with great pride on your leadership at the Merc. Certainly the establishment of the IMM took a great amount of courage on the one hand, and of persistence and dedication on the other; you displayed both. The result certainly has exceeded the expectations of almost everyone associated with the effort. I have no doubt also that that was the start of the enormous explosion in all markets in financial instruments."

**Milton Friedman**  
Sr. Research Fellow, Hoover Institution  
Stanford University

"To the world you have given an idea, just as Newton, Galileo, Copernicus, Euclid and other great thinkers and innovators did before you. Your idea, ultimately, like theirs, has and will continue to spawn many others that will have an immeasurable impact on the world. In our lifetime, because of you, we will see time zones disappear, and cooperation between countries, small and large, flourish. Most importantly, the world will be a better place because of you, your idea, your persevering spirit, your continued vision and your indefatigable energy to see it all through."

**John F. Sandner**  
President, Rufenzicht, Bromagen & Hertz

"... you epitomize the practical and creative application of knowledge to the marketplace through your brilliant innovation in financial futures. You have achieved what we aim to foster..."

**John P. Gould**  
Dean, University of Chicago  
Graduate School of Business

"We don't often come across people like you, Leo, in today's world. Usually our only contact with pioneers and founding fathers is when we read about them in a history book."

The fact that our futures exchanges have become an indispensable component of the world's financial markets is in no small part due to your efforts. ... anyone who uses the financial markets owes you gratitude."

**Wendy L. Gramm**  
Chairman, CFTC

"It goes without saying that your leadership has been instrumental to the extraordinary success of the Chicago Mercantile Exchange, and that you will be greatly missed. I am particularly grateful to you for your friendship and for the opportunity we have had since I became Chairman of the Commission to discuss matters of mutual concern."

**Richard C. Breeden**  
Chairman, SEC

"I am certain that your leadership and expertise will be deeply missed. May your golden years of retirement be blessed with much happiness and fulfillment in all of your future endeavors."

**Daniel K. Inouye**  
U.S. Senate

"During all of our discussions I had a chance to see many aspects of the personality that has so shaped the CME: your business acumen, your daring and foresight for products and services, your daunting energy and breadth of interests. ... You can be justly proud of the institution you leave behind after 23 years of leadership."

**Gérard Pfauwadel**  
Chairman, MATIF

"Your remarkable leadership has resulted in enormous contributions to the futures industry, and I have no doubt that your presence will be greatly missed."

**Elizabeth Dole**  
U.S. Secretary of Labor

"Your leadership of the CME these past twenty-three years has been a tenure of unparalleled innovation and growth. I value our friendship, and I am confident that your advice and counsel will be available as we in Washington continue to reshape our markets for increasing global competition."

**Christopher J. Dodd**  
U.S. Senate

"You have been a dedicated and visionary leader of the futures industry for the past two decades. ... you have transformed the Chicago Mercantile Exchange into the major international futures exchange it is today. You have contributed immeasurably to our fellow members, to the growth of the industry, and to all as a friend."

**Thomas Dittmer**  
Chairman, REFCO, Inc.

"The dynamic growth of the Chicago Mercantile Exchange through your leadership and innovativeness must make you proud and deservedly so. Your colleagues, friends and many admirers share in that pride for all that has been achieved for the City of Chicago and free markets everywhere."

**Thomas C. Theobald**  
Chairman, Continental Bank

"... I feel a deep sense of loss that the futures industry will be without one of its most eloquent and staunchest supporters. Your vision and perception of both the political and economical realities of the industry are unparalleled, and these qualities will be sorely missed with your absence."

**Fowler C. West**  
Commissioner, CFTC

"... on behalf of SIMEX and all my colleagues, our appreciation for the friendship and understanding you have extended towards us. ... the futures industry certainly will miss your leadership and the role you have played in the financial markets."

**Elizabeth Sam**  
Chairman, SIMEX

"Your extraordinary accomplishments over the past few decades will not be matched by anyone. Your strong leadership and innovation cultivated an entire industry, and you should indeed be proud of your achievements in making this a global industry."

Throughout the years, you have remained undauntingly and selflessly committed to this great industry. Such dedication is rare, and your absence will certainly leave a major void in the futures industry. You are a great leader, a great visionary and a true friend. Your talents and skills cannot be replaced."

**Thomas R. Donovan**  
President, Chicago Board of Trade

"Leo's contribution has been unique and of immeasurable significance. He has used his masterly command of debating skills, and unsurpassed powers of persuasion, to show us all how markets should evolve. His contribution is already being felt well beyond the futures industry in which he is a leading visionary, and Chicago where he has played such a key role. ... he combines these attributes with great personal warmth and friendliness."

**André Villeneuve**  
President, Reuters



"... your vision of the future and your ability to devise and execute a strategy to fit that vision is the real legacy that you have given to us all."

**William J. Brodsky**  
President, Chicago Mercantile Exchange

"It won't be easy to find a replacement for Leo who has earned a reputation for credibility. Whether he was talking to the Exchange membership, to the media, or to Congress, you knew you could count on Leo to 'sell it like it is.' That was true of him some 25 years ago, when he was characterized as the leader of the 'Young Turks' and it's true today in his role as spokesman for the futures industry."

How do you write a job description for someone to follow Leo? Wanted: an individual who is a visionary, who has the genius to look into the future and develop products to meet needs that most haven't even dreamed of. An individual who can identify and attract top talent, who can motivate and inspire. A leader whose dedication is unlimited, whose credibility is unquestioned. In finding a successor, Leo leaves us with a challenge that would dwarf even him."

**Barry J. Lind**  
Chairman, Lind-Waldock & Company

"Allow me to use this occasion to thank you for your friendship which we value greatly and for your many favors to our Exchange in the past."

**Hiroshi Yamamoto**  
President, Osaka Securities Exchange

"We've all come to rely on your skill and daring. You set a standard in this industry that has inspired each of us to do our best to advance the long-term success and viability of this important industry."

From your examples we've learned to employ non-traditional approaches to competition... We've learned the importance of working in partnership with regulators and law makers to maintain public confidence in our markets. And, we've learned the meaning of the word 'gentleman'."

**Z. Lou Guttman**  
Chairman, New York Mercantile Exchange

"As a member of the Chicago Mercantile Exchange, I want to say thank you for your tireless work on behalf of our institution. No one has done more for an industry than Leo Melamed. You have been a true visionary and carried the CME out of the dark ages and into a position of international prominence."

**Robert Hammer**  
President, Hammer Stone and Company

"It just won't be the same."

**John G. Weithers**  
Chairman, Midwest Stock Exchange

"The New York Times says you are turning in your suit—I must say it's well worn—you played hard, you played smart and you played with honor—Leo, you are a winner, in fact you made us all winners."

**John C. White**  
(former) Chairman  
Democratic National Committee

"Every now and again a super-nova explodes and leaves a black hole. The Chicago Mercantile Exchange, the futures industry and the markets at large will miss your energy, dynamism and inspiration, leaving a poorer place for its absence."

**David Britton**  
Senior General Manager  
Generale Bank, London

"Your departure from your responsibilities and leadership at the Chicago Mercantile Exchange is a genuine loss to all the Securities Industries as well as to the Merc."

**Donald Stone**  
Vice Chairman, New York Stock Exchange

**Leo Melamed:**  
A Respected Colleague  
A Winning Trader  
A Prodigious Writer  
A Brilliant Barrister  
A Distinguished Scholar  
A Global Innovator  
A True Friend  
A Man For All Seasons"

**Robert K. Wilmouth**  
President, National Futures Association

"It is a pity that CME should lose the privilege of staying under the direct leadership of indisputably the greatest financial innovator of this century. However, your active presence in the Market would continue to stimulate its activities which are assured to become really international by the strength of your superb creation, GLOBEX."

**Ryuzo Ueda**  
Chairman, Ueda Tanshi Co., Ltd.

"I doubt if any man has contributed more to the progress of the futures industry than you have. We are sure no man has ever left behind him a finer record of creativity and devotion to the highest type of business ideals."

**Taroichi Yoshida**  
President  
Tokyo International Financial  
Futures Exchange

"You led the CME for over 20 years and have made a great contribution to the development of the U.S. futures industry. Your achievements, including the creation of the International Monetary Market in 1972 and the inception of the GLOBEX system... are of global significance."

**Atsuo Hirano**  
Managing Director, Mitsubishi Bank, Tokyo

"Your leadership... has single-handedly raised the credibility of the industry, increased market competitiveness, broadened the product base, attracted domestic and international investors, opened horizons to electronic links and 24-hour trading, developed the NFA and given us an open ear in Washington."

**Jack A. Barbanel**  
Chairman  
FIRST Global Asset Management, Inc.

"The vacuum created by your departure will not easily be filled. Your credibility in Washington and on Wall Street, and especially at this agency, will be greatly missed."

**Mary L. Schapiro**  
Commissioner, SEC

"You have led your industry from the front, and you can take pride in helping propel it to its current impressive position."

**Robert R. Gluber**  
Under Secretary of the U.S. Treasury

"... I am more and more struck by the role you have played and the void your departure will leave behind. I was aware of your insight and the importance of your leadership at the Exchange long before I came to Washington. And I do think that every person charged with policymaking responsibility in the financial regulatory arena has relied, consciously or otherwise, on that insight and that leadership..."

**Edward H. Fleischman**  
Commissioner, SEC

"You have done an outstanding job of representing the Chicago financial community in the nation and the world at large. The Chicago Mercantile Exchange is an institution that keeps us in the big leagues of finance."

**Edward M. Burke**  
Chicago City Council

"As someone who spent my time in the Washington regulatory complex, I know how vital your leadership and integrity have been. You have a great deal of which to be proud—a vibrant exchange with a big agenda, a reputation of leadership and integrity, NFA, financial futures—to name a few. We will miss you in so many ways..."

**Susan M. Phillips**  
(former) Chairman, CFTC  
Vice President, The University of Iowa

"Leo, none of us can thank you adequately for the contribution you have made for so many years. When I left the board of the CME, I told you that knowing you and working with you had been one of the most rewarding experiences of my professional life. If anything, that seems more true today."

**Robert E. Zellner**  
President, Citicorp Investment Bank

"... your contributions to the futures industry have been absolutely enormous over the years since we first met in 1975. You have been and are the greatest!"

**Gary L. SeEVERS**  
Goldman Sachs (Japan) Corp.

"Leo, your institutional knowledge of the industry, your feel for how the market works, your integrity, your sound judgment, had more to do with forging successful compromises that you ever imagined... you are a larger than life figure... it is difficult to imagine the industry without you."

**John M. Dangard**  
President, Futures Industry Association

"As head of the CME, you have provided vision and leadership. Your tenure enabled the CME to achieve incredible influence and growth. Your steady guidance and wisdom assured its success during a period of incredible change."

**James E. Cayne**  
President, Bear Stearns

"I have known many who are intelligent, and I have also known many who are creative. I have known many who have energy. I have only known two or three who possess all these characteristics and have directed them towards not only new ideas but towards the implementation of those ideas for the benefit of all."

**Thomas A. Russo**  
Cafwalsader, Wickersham & Taft

"Your strenuous efforts to develop futures markets have undoubtedly made a significant contribution not only to the expansion of the role of the CME but also to the sophistication of the global financial market. The development of GLOBEX, which was promoted by your own personal initiative, has also contributed to the globalization of the world financial markets."

**Makoto Utsumi**  
Vice Minister  
Japanese Ministry of Finance

"When I handed the gavel over to you, ... Little did I know that your incredible foresight and leadership in inaugurating financial futures and GLOBEX would also propel us into becoming the premier exchange in the world."

**Robert J. O'Brien**  
Past Chairman (1967-68)  
Chicago Mercantile Exchange

"Your vision of the role of financial markets and the skill and timing used to create those markets is a monumental contribution... the many copies of that innovation now operating around the clock and around the world are all the evidence one needs to demonstrate your remarkable contribution."

**Allan H. Meltzer**  
Professor of Political Economy  
Carnegie Mellon University

"Those of us in the Chicago financial community who have known and worked with you understand how committed you have been to the establishment of... Chicago financial community as an international marketplace."

**Alger B. Chapman**  
Chairman  
The Chicago Board Options Exchange

"I was strongly opposed to allowing Richard Daley Sr. to die and I am even more opposed to your retirement. Don't you know that some people are irreplaceable?"

**George J. Stigler**  
Director, University of Chicago  
Center for the Study of the  
Economy and State

"... I observed the many impressive contributions you have made in all of the areas of finance which I have spent so many years teaching. You truly have made a difference in a lot of lives and have been instrumental in building an enterprise that has had a tremendous effect on international capital markets."

**Donald P. Jacobs**  
Dean, Graduate School of Management  
Northwestern University

"A person may be fortunate to have an opportunity in his lifetime to meet someone truly 'memorable.' If he is really lucky, he may have an opportunity to actually know someone who changed the world in a significant and positive way. I am very proud to say that I know Leo Melamed and I have had the opportunity to observe 'history in the making' and his profound impact on the world's financial markets."

**Mitchell R. Fulscher**  
Capital Markets Group  
Arthur Andersen & Co.

"I am not aware of anyone whose contributions to his community, his industry and his associates has been as enormous as yours has been. It has been a pleasure and an honor to have had the opportunity to work with you."

**John A. Wing**  
President  
The Chicago Corporation

"Everyone who has had the pleasure of working with you knows you are an imaginative, innovative, and forward-looking leader who has made innumerable contributions to both the Chicago Mercantile Exchange and to the development of futures markets."

**Franklin R. Edwards**  
Director, Columbia Futures Center  
Columbia University  
Graduate School of Business

"... you, Sir, are a super-man, in the most superlative sense of those words. Your good will, your devotion, your honesty, your sense of history, your loyalty to an institution, your pride in your own heritage, and your uncommon decency, just to name a few qualities, are the elements of which you are made. You are the one who is The Man, in a totally non-sexist usage of that appellation."

**William T. Bagley**  
(former) Chairman, CFTC  
Nuscaman, Guthner, Knox & Elliott

"For the 16 years I have been in this industry, it has been apparent that there has been no other single individual who has made more things happen than you have. In fact, I have to wonder when we would be today without the ideas, the vision, the persistence—and faith—you have provided."

**Hal E. Hansen**  
President, Cargill Investor Services, Inc.