

# Business

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## Japan bank to buy majority stake in Melamed firm

By William B. Crawford Jr. and William Gruber

Leo Melamed, a pioneer in the development of financial-futures contracts and a longtime political powerhouse at the Chicago Mercantile Exchange, said Wednesday that he has agreed to sell a controlling interest in his brokerage firm to Japan's second-largest bank.

Melamed, 58, said the sale of a majority interest in Dellsher Investment Co., which he founded in 1965, to Mitsui Taiyo Kobe Bank Ltd. was approved by the bank's governing board late Tuesday. The price was not disclosed.

By buying Melamed's firm, the Japanese would pick up two highly valuable assets: direct access to the tight inner circle of

traders who dominate exchange politics and instant expertise in the complex world of financial futures.

The transaction must be approved by the Federal Reserve Board and Japan's Ministry of Finance, Melamed said the deal could be concluded in about 60 days.

"I'm not selling the company," Melamed said in an interview. "Rather, I'm taking on a major partner. We're going to build a big firm, and that will take a lot of capital. Mitsui has it."

Mitsui, with assets of \$401 billion, is the second-largest bank in the world as well as Japan. By acquiring a controlling interest in Dellsher, Mitsui will become a clearing member of the Merc and the Chicago Board of Trade.

Melamed said he will remain

chairman and chief executive officer of Dellsher under a long-term agreement with Mitsui. His firm will keep its name, he added, though the initials of the new investor, MTKB, may precede it.

Melamed formally retired from Merc politics nearly a year ago. Nevertheless, he maintains close ties to Merc Chairman Jack Sandner and other exchange leaders. He also heads two key exchange-related organizations—the committee overseeing Globex, an international trading system expected to start up next summer, and a joint Merc-CBOT committee that is trying to merge redundant and costly exchange tasks.

Melamed has been given credit for almost singlehandedly transforming the Merc from a sleepy

market in the early 1970s to a dynamic force in the financial world.

He is considered to be the "father" of the International Monetary Market, which the Merc started in 1972 to trade in foreign-currency futures. In the early 1980s, he was instrumental in creating a market in stock-index futures, an activity criticized in some circles for adding volatility to the stock markets.

He also was responsible for moving the Merc from its home at 110 N. Franklin St. to a new building at 444 W. Jackson Blvd. in the early 1970s and later to its present home in a twin-tower high-rise at 30 S. Wacker Dr.

"We're a small firm now because I've neglected it while doing other things in the last 25

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Leo Melamed

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years," Melamed said. "Over the next few years, we're going to become a major player in this game."

Mitsui Bank, formed recently by a merger of Mitsui Bank Ltd. and Taiyo Kobe Bank Ltd., has 614 branches in Japan and 104 overseas offices.

The coming together of Mitsui and Dellsher underscores the increasing trend toward global markets and the importance the Japanese place on financial-futures markets as vehicles for hedging price risks.

"They will give strong support to Globex," Melamed said. "I wouldn't have gone into this without that agreement."

The deal also demonstrates the need for smaller firms such as Dellsher to find larger partners if they are to compete successfully on a playing field increasingly dominated by financial giants.

In a statement to Dellsher's employees Wednesday, Melamed said his firm's alliance with Mitsui "will give our firm unquestionable financial strength, a global presence and an outstanding financial network."

Dellsher now has only one office, a 60-employee shop in the Merc building. But a long-term possibility, Melamed said, is establishing representative offices at Mitsui branches in cities around the world that have major financial markets.

"Clearly what has happened here is indicative of what is happening in free markets everywhere," Melamed said. "Capital is the No. 1 requirement to stay in this business these days, and clearly Dellsher could not have survived otherwise. I knew Dellsher required a strong financial base and an international presence."

"It also bodes well for Chicago's exchanges and the industry. In my view, the next big wave of business coming to the floor of our exchanges is going to be coming from the Japanese," he said.

Melamed said he began thinking about forming a link with a major international financial institution more than three years ago.

"I had set a goal of January 1988," he said.

"But the market crash of the previous October forced me to use most of my time in the next year and a half to defend the Mercantile Exchange from those who wanted to blame it for the crash. Right after that came the FBI investigation [of trading abuses at the Merc and CBOT], which wasn't pleasant. That continued to keep me busy."

Though Melamed said his firm has had business dealings with Mitsui for a number of years, he said talks about possible investment by the Japanese bank started in a low-key way last June and "became serious in the fall."

Dellsher will continue to specialize in futures and stock-options trading after the Mitsui deal is completed, he said, adding that the firm has no plans to get into the retail stock-brokerage field.