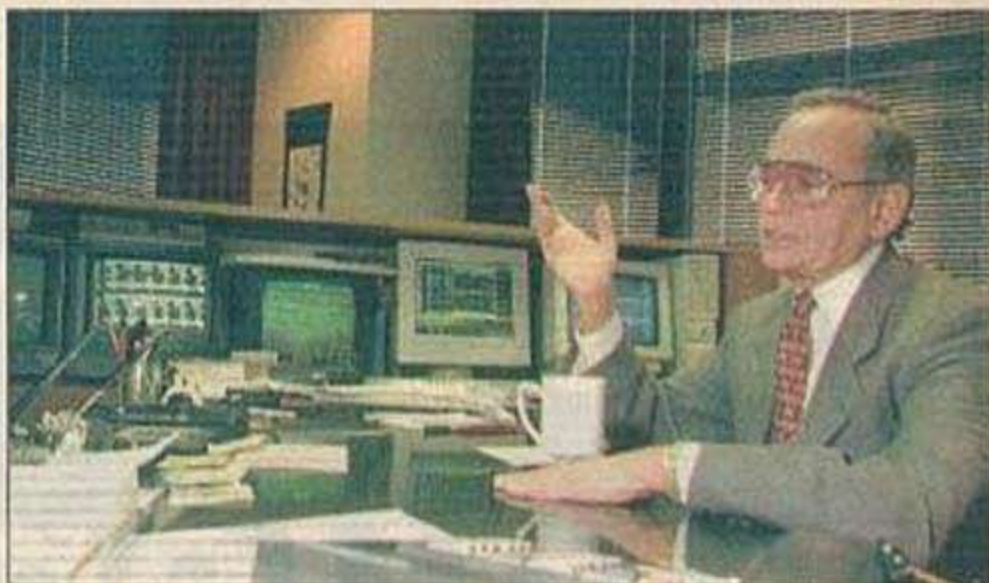


**'Everything I know about futures  
is built into this strategy.'**

Leo Melamed



Sakura Dellsher has gone from losing money to turning a profit in the last five months, says Leo Melamed, a top officer of the firm.

## New strategy paying off for post-Merc Melamed

By William B. Crawford Jr.  
TRIBUNE STAFF WRITER

Leo Melamed, chairman emeritus of the Chicago Mercantile Exchange, has an impeccable record at spotting trends coursing through futures markets. As top officer of Sakura Dellsher Inc., he is taking aim at a recent, dramatic development in the industry: the global growth of managed futures.

"There is no question but that the investing world is doing today with managed futures what it did previously with mutual funds. Money is pouring into the managed futures arena," said Melamed.

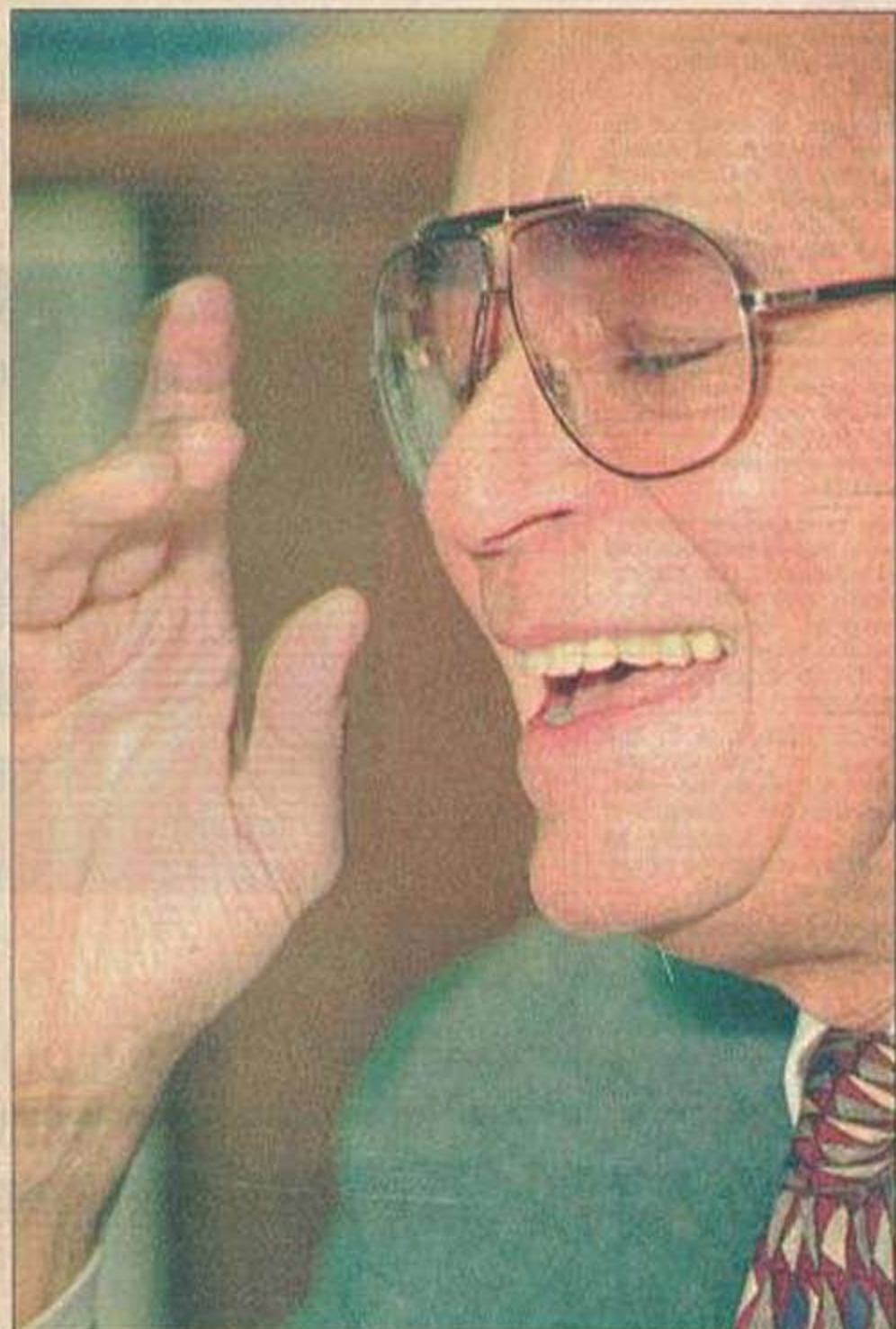
Melamed said Sakura intends to launch its own fund, the Sakura Fund, this spring. "We will begin with \$35 million, small by industry standards," he added, "but we will grow by going after corporate and institutional clients."

"And, as far as we can tell, the big growth in futures business is going to come from China and other parts of the Pacific Rim, and, closer to home, in Mexico, Brazil and Argentina. That is where we are focusing our efforts."

Melamed is chief executive of Sakura Dellsher, a futures commission merchant located high above the Merc's trading floor at 30 S. Wacker Drive. Less than a year old, the company is the result of a merger between Japan's Sakura Bank Ltd., one of the world's largest financial institutions, with \$462 billion in assets, and Dellsher, a boutique trading firm founded by Melamed three decades ago.

If history is a guide, Sakura Dellsher, which has been capitalized with \$10 million in cash and a \$150 million Sakura Bank line of credit, is in capable hands. Melamed has anticipated—and in some cases created—some of the most important events in the history of the futures industry since he scrapped a budding law career in the early '60s to become a local trader in the Merc's cattle futures pit.

He was the first chairman of the Merc's International Monetary Market when in May 1972 that exchange gave to the world its first successful financial futures products—a family of foreign currency contracts—a move that has revolutionized modern investment



Tribune photos by John Decker

"The investing world is doing today with managed futures what it did previously with mutual funds," says futures innovator Leo Melamed.

portfolio theory.

He was chairman of the Merc and the International Monetary Market, a member of the executive committee and an exchange special counsel from the late '70s until the early '80s. In that period, the Merc was transformed from a traditional soft-commodities market, offering trading in pork bellies (slab bacon) and feeder cattle futures, to the world's leading financial risk-transfer center, listing complex products ranging from Eurodollars

and foreign currencies to stock indexes.

And he was chairman of the Merc-Chicago Board of Trade joint venture that in 1992 gave birth to Globex, a \$100 million automated network that, for the first time, allows market participants on three continents to trade futures products listed on the Chicago exchanges and on the Matif futures market in Paris during off-hours.

That was all in another life, of

SEX MELAMED, PAGE 6



# Melamed

CONTINUED FROM PAGE 1

course. Nearly four years ago Melamed announced that he was formally relinquishing all involvement in Merc affairs to write, give speeches and spend more time with his family and his investments.

The announcement stunned a disbelieving futures industry that could not fathom a Merc without a Melamed at or near the helm, or the corollary—a Melamed without the exchange. His departure also gave rise to numerous theories, never fully articulated, that Melamed was, in truth, pursuing a secret agenda to further consolidate his hold on the Merc.

In a recent interview, Melamed talked about his firm and how it plans to capture some of the business going into managed futures, investment portfolios whose managers view derivatives as an asset class much like stocks.

"Our strategy is multifold, and it is beginning to pay off as Sakura Dellsher has gone from losing money to turning a profit in the past five months," said Melamed. "Everything I know about futures is built into this strategy."

Sakura Dellsher itself reflects another trend—decried by many industry members—weaving through the recent histories of the Merc and the CBOT: the increasing institutionalization and globalization of world financial markets.

In the last decade, overseas banks, brokers and other major market participants have bought small, often colorful, "ma-and-pa" Loop trading firms such as Dellsher, usually at a premium, or negotiated joint ventures with them.

In 1980, virtually all the Merc's 86 clearing member firms—the most prestigious level of Merc membership—were owned by U.S.

citizens or corporations. By 1993, nearly a third were owned by overseas brokerages and banks.

Of the 86, 14 are now owned by entities headquartered in Japan, Hong Kong and other parts of the Pacific Rim; 12 in Europe and the United Kingdom; and 1 in Canada. The story is much the same at the CBOT.

As more investment funds, commercial banks and corporations use CBOT and Merc products to lay off risk, smaller firms, unable to raise capital to remain competitive and to meet exchange-mandated reserve levels, have merged or gone out of business.

Sakura Dellsher—with 760 Sakura bank outlets around the world, according to Melamed—is ideally positioned to provide institutional traders and money managers with advice, technical expertise, execution, clearance and operational services. The firm, with an employment roster of 45, does no trading for its own account and does not solicit private investor funds, he said.

From its headquarters in Tokyo, Sakura sent two top lieutenants, Hideki Noda, who is president of Sakura Dellsher, and Nobuo Kasubuchi, who was appointed chief financial officer. In Chicago, Melamed has named veteran industry members to key posts: Anthony V. Czaplak is vice president for managed funds; James W. Slentz, director of research; David R. Powers, vice president in charge of floor operations; and Karen Dorf, an attorney, in charge of compliance.

Sakura Dellsher was signed into existence last year, following lengthy and complex negotiations between Sakura bank representatives and Lazard Freres, the blue-chip merger and acquisition specialist that represented Melamed. "I decided to go for the best, particularly after Sakura said they would pay Lazard's fees," Melamed said.

The bank bought a 60 percent

interest in the firm. Melamed declined to say for how much. He was given a four-year employment contract with stock-option incentives.

Because Sakura is a foreign bank, the buyout required Federal Reserve Board approval, a process that took about 2½ years instead of the normal several months. Embarrassed by the financial shenanigans surrounding the now-defunct Luxembourg-based Bank of Credit and Commerce International two years ago, the Fed held up approving the Sakura deal and others like it.

Though Melamed quit Merc politics to devote more time to his family and writing, it is debatable whether he has achieved his goal.

Business travel to the Far East, South America and New York occupy a great deal of time. He also is creating an educational institute so that students from around the world can come to Sakura Dellsher to study futures.

Melamed continues to slug away at a sequel to his first novel, "The Twelfth Planet." And, he says, he is discussing a possible autobiography with John Wiley & Sons publishers.

Melamed, the only child of Polish Jews who fled an invading Nazi army at the onset of World War II and escaped to the New World aboard a Japanese steamer, also makes twice-monthly trips to Washington, where he is a director of the U.S. Holocaust Museum. It is an assignment Melamed describes as "a labor of love."

"I am a survivor in the literal sense. Since my father passed away, I have wanted to tie myself to his world in one fashion or another. I have done that with the museum."