

# Melamed Remains a Vocal Force Despite Departure From the CME

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CHICAGO — The trend in futures markets probably will be strong demand for national or home-grown contracts, not the global ones popular now, Leo Melamed, Chicago Mercantile Exchange chairman, said in an interview with Knight-Ridder Financial News.

As he retires from key duties at the CME, Mr. Melamed, often called the father of financial futures, said the next decade would see the proliferation of national debt futures, such as bonds from South Korea, Spain, Poland or Czechoslovakia.

As of Jan. 16, Mr. Melamed officially stepped down from his jobs as chairman of the CME Executive Committee and special counsel to the CME board, leaving behind a \$500,000 annual salary.

Instead, Mr. Melamed will work mostly on getting his Globex project off the ground — a system for electronic trading that has been on the drawing board since 1987 and delayed several times.

The national futures contracts he envisions are the ones "we hope to plug into a Globex network," Mr. Melamed said. "That is what Globex will be good for."

Mr. Melamed predicted that Globex would be up and running soon, but he would provide no offi-



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cial start date. "The fact is we are very close now to a date for Globex," he said. "It is now only a matter of months, and certainly in 1991."

He attributed the delays to the size of Globex and Reuters Holdings PLC, the information vendor providing the electronic network.

"The real reason (for the delay) is that the project is much bigger" than expected, Mr. Melamed said. Also, "Reuters, to some degree, underestimated the complexity of the system . . . and the Chicago Board of Trade entrance changed the dimensions once again."

Both the CME and the CBT have been negotiating on a new contract with Reuters, to be signed if the memberships approve the terms of the agreement. The vote is expected to take place around Feb. 20.

"I have no doubt that Globex is the way that the world will work during the next many decades," Mr. Melamed said. "That's irrespective of how long it will take in the developmental stage — a year or two or three or five — it doesn't matter because . . . technology is driving the way people work, live and even have wars."

In fact, he conceded that the recent volatile trading environment would have been ideal for an electronic all-night system, such as Globex.

"I agree it's too bad it hasn't been around for the (Persian Gulf) war," he said. "I think about that every day — if we had not been delayed, we would have had a most opportune time frame for the Globex market."

However, "I don't expect this (Globex) to be an instant success by any measurement," Mr. Melamed said. "Time will make it successful, not any one particular thing."

He also said he expected Globex to interact at some point with other electronic trading systems now under development, such as those from the securities and options exchanges.

"I expect that . . . the connection will occur between Globex and whatever is being developed by the options community on Reuters," he said. "It will be much easier to make that connection simply because (its) systems will be a counterpart to our system."

However, he also stressed that Globex would "not get rid of the trading floor," a fear voiced by many members. Globex has been designed "so that would not occur . . . it is perfectly integrated with open outcry," he said.

The two types of trading will "work compatibly because Globex hours will not begin by our agree-

ment (with Reuters) until after open outcry hours are over — even the CBT evening session has been accounted for," he added.

Mr. Melamed seemed to imply that the agreement prevented Globex trading of CBT bonds until after the end of the night session.

On other topics, Mr. Melamed said the federal investigation of trading fraud here was one of the biggest threats for the CME during his tenure.

The investigation "hurt more" than the stock market crash, he said, adding that "our stature rose" after the crash despite criticism that the stock index futures market was partly responsible for the plunge in 1987.

Mr. Melamed would not comment specifically on the investigation, only saying it had given the industry a "black eye for a good time to come."

Mr. Melamed, who has been active in the markets for more than 20 years, said the role of an independent floor trader, a job that has helped build the liquidity of the markets here, had "changed dramatically over the years."

In particular, he said "technological enhancements" and an increase in the number of "upstairs traders" had made it tougher to make a living in the pit. Sometimes it can be "hell on wheels," he said.

Mr. Melamed said he now would have more time to concentrate on his personal trading and building his brokerage house, Dellsber Investments Co., a medium-sized firm that has remained the same size for the past 10 to 15 years.

He also said he would continue to write, noting he had become "enamored" with the task after his first science-fiction novel "The Tenth Planet" came out in 1987.

But with all his new personal plans, Mr. Melamed still will be an active voice in some areas of the exchange outside of Globex, particularly with his appointment this fall as co-chairman of the Futures Exchange Common Goals Committee.

The group, which plans to merge certain business operations between the CME and CBT to cut costs, will "flesh out" those areas that can be "unified," he said.

To date, Mr. Melamed said he expected the two exchanges to continue working toward combining marketing efforts and certain technological projects, such as their order routing systems.

The Globex project has proved the Chicago exchanges can work together, even though they are fierce competitors, he added.