

A future after futures

Merc chief trades job for private life

By **DAVID DISHNEAU**
Associated Press

BOCA RATON, Fla. — It was an unlikely snapshot of Chicago Mercantile Exchange chief Leo Melamed, sauntering past a turquoise swimming pool sporting a black silk shirt and pale yellow slacks.

He was smiling and tossing a small package, perhaps a giveaway from a vendor at the Futures Industry Association convention in the sprawling pink Boca Raton Hotel.

Melamed is known more for operating in hyperdrive, whether he's proclaiming the global importance of the financial futures he fathered, defending his industry against critics, creating new worlds of science fiction or imagining new ways of managing risk.

Trader, lawyer, author, visionary — Leo Melamed is considered the renaissance man of the futures markets, once the domain of pork farmers and grain merchants.

His surprise retirement at year's end from the dual role of special counsel to the Merc and chairman of the board's executive committee will leave a void in the leadership of an industry fighting to preserve turf and reputation.

"Time will allow us to find other people," Melamed said when he announced his retirement March 5. "They're around and they will come forward."

Even his main competitor, Chicago Board of Trade Chairman Karsten Mahlmann, says Melamed's contributions will be missed. "If he wants to become more of a private citizen, the whole industry will feel his loss."

Melamed, graying but fit-looking at 57, says his only plans are to write memoirs, publish a sequel to his science-fiction novel *The Tenth Planet*, do some trading and spend more time with his family.

But he is not likely to stroll far from the scuffling heart of the markets he nurtured.

Robert Wilmoth, president of the National Futures Association, an industry-funded watchdog agency that Melamed helped found in 1982, predicts that if the industry needs some-



Leo Melamed is recognized for his futures market innovations.

one to lead it through tomorrow's thickets, Leo "is going to be holding the light."

Melamed said he will be around to offer advice and, when pressed on possible career moves, said, "I'll see what comes along the way."

His most notable achievement was the creation in the early 1970s of financial futures contracts, risk-management tools used by large institutional investors around the world. Pension funds, banks, even governments rely on Melamed's invention to lock in returns on stocks, bonds and currency trades.

These high-finance instruments are traded exactly the same way as pork belly and soybean futures from Chicago to Sydney: Traders crowd pits, yell bids and furiously flash hand signals.

It is raucous, adrenalin-pumping and confounding. It is, Melamed said in a speech last week at the convention, "an industry I loved from the very first moment that, by sheer

accident, I came upon it."

That was around 1953 when Melamed, son of Polish immigrant schoolteachers, took a job at the Merc as a runner for Merrill Lynch to earn his way through law school.

Egg futures were the Merc's main product line then. But as he rose from runner to trader to chairman in 1969, Melamed saw an opportunity to exploit fluctuations in currency exchange rates, freed to float by an international agreement in 1971.

A disciple of free-market economist Milton Friedman, Melamed envisioned a market for international currency futures, where you could ensure a guaranteed price in yen for your dollars, or pounds for your francs. He took his idea to Washington.

There, at 33, Melamed called on Treasury Secretary George Shultz, Federal Reserve Chairman Arthur Burns and Alan Greenspan, then head of the President's Council of Economic Advisers, for reaction.

In Greenspan's office, "I suggested that the markets we were creating in Chicago might be beneficial to the American economy. In an instant, he stood up from his desk and literally reeled off a litany of uses that I had never dreamed possible for futures markets in Treasury bills, certificates of deposit, T-bonds and the like."

The Merc launched its first currency futures contracts in 1972, when annual U.S. futures trading volume totaled 18.3 million contracts.

Last year, more than 267 million futures contracts were traded on U.S. exchanges, and more than 60 percent were products such as currency, bond and stock-index futures.

Melamed's creations have not been free of controversy. Stock-index futures, for example, which allow investors to control large amounts of stock at low cost, have been blamed by some experts for volatility in the stock market.

But Melamed has not been sullied. He was praised by Washington and the industry for quickly responding to the crisis.

"If I were to do it all over again," he said, "this is what I would do, and that is how I would do it, and I would regret nothing along the way."