

## What to expect from Melamed-less Merc

### Game plan's in place, but power will be diffuse

By CHRISTOPHER R. O'DEA

BOCA RATON, Fla.—Leo Melamed's surprise decision to resign his two posts at the Chicago Mercantile Exchange by yearend will enhance the role of the exchange's president and chairman, and permit a greater voice for members.

Mr. Melamed's two specially appointed posts aren't likely to be transferred to other exchange members, resulting in a more diffused structure at the exchange he dominated for nearly two decades.

Mr. Melamed, 57, also plans to reduce his role as the futures industry's most prominent lobbyist. That will leave the beleaguered industry without its most savvy spokesman at a time when stock market disruptions and the federal probe of alleged futures trading abuses have heightened political pressure for more extensive government control over trading.

While Mr. Melamed won't be replaced, he has left the Merc with a clear plan for the future. The Globex electronic trading system is the centerpiece of a strategy aimed at increasing member revenues from other sources as the growth of fu-

tures trading volume slows.

That means the Merc is embarking on a period focused more on implementation than innovation, with more emphasis on managerial skills than on the troop-rallying charisma that was Mr. Melamed's hallmark during the heady growth years of the 1970s and 1980s.

The shift in management needs reflects the Merc's growth from a backwater agricultural exchange to a key player in global financial markets. While Mr. Melamed directed the Merc's rise, industry participants say the exchange has now matured to the point where its continued success hinges mainly on the fortunes of its existing product base.

Still, Mr. Melamed's decision was completely unexpected. "I was surprised that he took this step," says John Conheeny, chairman of Merrill Lynch Futures Inc.

Mr. Conheeny succeeded Mr. Melamed as chairman of the Merc. See Merc on Page 77

**Leo Melamed's retirement will result in a more diffused management structure at the Merc.**

## Merc

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Melamed as chairman of the National Futures Assn. after the Merc leader stepped down from that post earlier this year. "I thought that was about where it would end," Mr. Conheeny adds.

Mr. Melamed controlled the Merc from two posts: special counsel to the Board of Governors, a position created in 1979, and chairman of the executive committee. The Merc board appoints him to these posts, and in 1988 attached a \$500,000 salary to the executive committee job.

But that arrangement isn't likely to continue after Mr. Melamed's departure.

"The institution is the survivor," Mr. Melamed says, and during the rest of the year, "those responsibilities will be shared."

The special counsel position, in particular, probably won't be filled by another member. "That's up to the board to decide, but I suspect it won't be continued after 1990," Mr. Melamed says.

What's more, he adds, the chairman of the Merc—who is elected by the membership—most likely will become the head of the board of governors' powerful executive committee, regaining the power that position once had.

Those changes will place new importance on Merc President William Brodsky, 47, and Chairman John Geldermann, 64. While neither enjoys Mr. Melamed's stature, nor has either displayed creativity to equal his, brokerage firm officials and Merc staff members say both are well-suited to oversee the more bureaucratic structure emerging at the Merc.

"Bill Brodsky and his staff do a very good job running the exchange," says James Gary, president of Saul Stone & Co., a Chicago-based futures firm. And with more than 40 years in the futures

business, Mr. Geldermann "has been a good stabilizing factor" as Merc chairman.

Because Mr. Melamed's main role was to lead the Merc, often representing it in Washington or overseas, much of the operating responsibility has fallen to Mr. Brodsky, who joined the Merc in 1982 as executive vice-president.

### Seasoned manager

Mr. Brodsky had taken the American Stock Exchange into options trading, and is widely regarded as one of the most seasoned managers in the financial exchange business. And with Globex occupying center stage at the Merc, Mr. Geldermann's experience at computerizing futures firms is expected to be a major plus.

The futures industry will be hard pressed to find anyone as able as Mr. Melamed to defend it in Washington. The federal probe has unleashed congressional wrath at the exchanges, and Mr. Melamed was the leading voice of compromise in the business.

Soon after the probe was revealed last year, Mr. Melamed launched a special group that recommended trading practice changes, which appear likely to become law later this year.

What's more, officials at the Securities and Exchange Commission also appear to be winning a steady battle to extend their jurisdiction over stock index futures.

Longer term, it's unclear who will emerge as the next generation of leaders at the Merc. Industry officials gathered here for the annual Futures Industry Assn. convention say the succession won't begin to take shape until the exchange holds its 1991 elections, but add that it's too early to handicap the race.

### Requirements changed

What's certain is that the developing institutional structure at the

Merc—in many ways similar to the Chicago Board of Trade's management—has dramatically changed the Merc's requirements.

The reserved Mr. Geldermann, for instance, doesn't match Mr. Melamed's visionary flair, but "I don't think the exchange needs that now," says Saul Stone & Co.'s Mr. Gary.

Some industry participants believe Jack Sandner, 48, who was chairman of the Merc for six of the nine years before Mr. Geldermann's current term, has a chance to move into a leading role at the exchange.

But others caution that Mr. Sandner largely owes his power—and his current post as senior policy adviser—to Mr. Melamed. Once Mr. Melamed's coattails are withdrawn, his followers may lose ground.

What's more, while Mr. Sandner is a proven vote-getter in Merc elections, he hails from the floor. And while there's been rumbling on the floor lately about gaining a larger voice in Merc affairs, Mr. Conheeny notes that "an exchange does not exist so floor traders can trade."

Future Merc leaders would have to accept that perhaps the most important constituency at the exchange is now financial firms—both the institutions whose trading activity contributes directly to Merc volume and the brokerage firms that sell Merc products to the public.

"There's probably more pressure on the exchanges to accommodate that sector," says Frederick Uhlmann, who heads the commodity department at Rodman & Renshaw Inc.

The strategy Mr. Melamed has set for the Merc presumes that the Globex screen-trading system is the linchpin to ensure the Merc's continued status as a global leader in futures. Officials of foreign exchanges expect the Merc to intensify its efforts to start the system this year, and to coax other exchanges to join.