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## Melamed Leaving as Head of Chicago Merc

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CHICAGO, March 5 — Leo Melamed, whose leadership of the Chicago Mercantile Exchange transformed that institution from a sleepy backwater where mostly agricultural products were traded into a leading arena for the management of interest-rate and currency risks, announced today that he would relinquish his exchange duties at the end of the year.

Mr. Melamed, whose name has become synonymous with commodity and financial futures trading, said that he would step down from his \$500,000-a-year job as chairman of the exchange's executive committee and as special counsel to the exchange's board to pursue personal interests.

Mr. Melamed, 57 years old, said that after 23 years in the exchange's leadership he had sacrificed enough and would now devote himself to his family, to trading for his own account, to managing the commodity firm he owns and to writing his memoirs and fiction. In 1987, Bonus Books of Chicago published Mr. Melamed's science-fiction novel, "The Tenth Planet." He plans to write a sequel.

"I want to recapture my life," Mr. Melamed told a crowded news conference here. "I want to smell the flowers along the way while I can."

Mr. Melamed continued: "I am overwhelmed by emotion. I have done nothing else in my adult life. Words fail me."

No successor to Mr. Melamed was named, and the initial indications were that there would be no successor. Exchange officials suggested that Mr. Melamed's responsibilities would likely be shared by William Brodsky, the exchange's president and chief executive; John T. Gelderman, the chairman of the exchange's board of governors; Jack F. Sandner, a senior policy adviser to the exchange, and by other top exchange officials.

"Leo is irreplaceable," Mr. Brodsky said. "In two short decades, he had led the futures industry to unparalleled dimensions, and he has shaped the Chicago Mercantile Exchange into a world-class institution. To say he will be missed is the ultimate understatement."

Indeed, Mr. Melamed is leaving an indelible imprint — not only on the mercantile exchange but on financial markets in general.

Mr. Melamed's biggest contribution was to develop the idea of a currency future, which banks, insurance companies, and other corporations could use to shield themselves from swings in currency rates. The financial future, like any other future contract, is an agreement to deliver a set amount of a commodity or cash in the future at a fixed price.

Working with Milton Friedman, the Nobel laureate in economics, Mr. Me-

lamed won Government approval in 1972 to trade contracts based on movements in the Swiss franc, the West German mark, the Canadian dollar and the Japanese yen. Later, what the mercantile exchange came to call its International Monetary Market was expanded to cover the Australian dollar and the British pound.

It was not until 1981, however, that the importance of Mr. Melamed's concept was to be fully appreciated. That year, the exchange introduced the first futures contract to be settled in cash. It allowed corporations to protect themselves against swings in interest rates.

And one year later, in 1982, Mr. Melamed's concept was again put to use, this time in the creation of a futures contract whose value would be tied to the level of the Standard & Poor's Corporation's 500-stock index. Since then, these "index futures" have come to be used by institutional investors around the world as a way to speculate on the future direction of the stock market or to provide a level of insurance against a decline in the market, what investment professionals called "portfolio insurance."

### Factor in Crash

To the extent, however, that portfolio insurance can cause declines in stocks themselves, the mercantile exchange has had to defend itself against criticism that its financial futures contribute to market instability. That is what happened in October 1987, when outsiders accused traders in the S. & P. 500 index of contributing to the stock market crash.

Mr. Melamed, however, came to the traders' defense. An often fiery orator who holds a law degree, he first placed advertisements in national newspapers to defend his exchange's activities. He then proved to be a convincing industry spokesman before Congress, providing testimony that helped stave off new laws that would have severely restricted commodity trading.

Mr. Melamed soon faced a new problem: the threat of tighter regulation by the Commodity Futures Trading Commission in the wake of disclosure of a "sting" operation by the Federal Bureau of Investigation on the exchange's floor and at its rival, the Chicago Board of Trade. Worried that news of the sting might deal an irreparable blow to the futures industry's image, Mr. Melamed assembled a panel of experts to recommend a series of changes in commodity-trading practices and regulation. While the futures industry must now operate under tougher constraints, it remains largely self-regulated.

Critics have noted that it was on Mr. Melamed's watch that these abuses took place, saying that the exchange's leadership failed to take preventive steps.

Lately, Mr. Melamed's attention has been focused on Globex, the after-hours electronic trading system he



The New York Times/Steve Kagan

Leo Melamed, chairman of the executive committee of the Chicago Mercantile Exchange.

was also instrumental in developing. Globex is running behind schedule and has caused some internal battles at the exchange, but most experts agree that the computerized system will help insure the continued competitiveness of the exchange at a time when futures markets worldwide are competing for business.

### Emmigrated From Poland

Born in Poland, the son of Yiddish teachers, Mr. Melamed moved with his parents to Chicago shortly in the early 1940's. Years later, after learning to speak English, Mr. Melamed drove a cab to pay his law-school tuition and to support his wife and child. Shortly after graduating from law school, he borrowed \$3,100 from his father to begin trading egg futures at what was then the mercantile exchange's predecessor. Striking it rich, he organized young members of the exchange into a coalition that in 1967 elected him to his first position in the exchange's leadership, a seat on the exchange's board of governors.

When he joined the board, stock traders in the East either thumbed their nose at the Chicago exchange or considered it to be populated by ruffians and hayseeds. By persuading corporations of all stripes to hedge their currency and interest-rate risks at the exchange, Mr. Melamed helped raise the self-esteem of its members and the exchange's reputation and influence grew.

"We've achieved a level of respect," Mr. Melamed said. "We're an equal in our industry."

The announcement caught the brokerage industry by surprise. "I'm shocked," said T. N. Grant, the president of Refco Group Ltd. of Chicago. "His retirement is a tremendous loss to the industry. He has made an enormous contribution and he will be missed."