

THE WALL STREET JOURNAL.

VOL. LXXI NO. 98

TUESDAY, MARCH 6, 1990 C1

Melamed Says He'll Resign Chicago Merc's Top Posts

By SCOTT McMURRAY and JEFF BAILEY
Staff Reporters of THE WALL STREET JOURNAL

CHICAGO — Leo Melamed, longtime leader of the Chicago Mercantile Exchange and the most influential executive in the futures industry, said he would resign his Merc posts by year end.

Mr. Melamed's surprise announcement comes as trading volume at the exchange remains robust but also as the futures industry is under a cloud because of alleged widespread fraud on Chicago's futures trading floors.

Mr. Melamed, the 57-year-old chairman of the Merc's executive committee and special counsel to the exchange's board of governors, said in a letter to Merc members that his duties "have become a burden demanding too much sacrifice and offering too little reward." He said he wanted to spend more time trading futures for his own account, being with his family, and working on his fledgling career as a science-fiction writer.

In recent months Mr. Melamed has found himself having to defend the industry and exchange against the backdrop of a federal investigation of alleged trading fraud on the Merc and Chicago Board of Trade. Trials of several of the floor traders who were charged last year with stealing from customers are scheduled for this spring and summer, beginning next month. A regulatory debate is also brewing in Chicago and Washington, D.C., that may lead



Leo Melamed

to tougher oversight of the Merc's most controversial product, stock-index futures.

An added pressure on Mr. Melamed in recent weeks has been a petition circulating among Merc members that if adopted would have required Mr. Melamed to be an elected member of the exchange's board of governors, said some members. He was appointed by the board, many of whose members owe their seats on the board to Mr. Melamed's support, and he receives a \$500,000 salary.

Merc members said Mr. Melamed saw the petition as an insult and at the same time may have felt that he was losing support from some exchange members.

Mr. Melamed said at a news briefing that the petition wasn't a factor in his decision to resign.

The fiery trader isn't stepping aside as a result of any imminent challenge to his authority from members or regulators and legislators who oversee the industry, Merc members said.

The departure of the Merc's most powerful official is likely to leave a vacuum in the exchange's executive suite. The diminutive trader hasn't groomed a successor, and, in fact, has insisted at least once before that he was going to loosen his two-fisted grip on exchange affairs, only to change his mind. Even his closest friend, former Merc chairman Brian P. Monieson, doubts Mr. Melamed can easily relinquish power.

Nevertheless, Mr. Melamed is leaving the Merc a vastly strengthened exchange from 27 years ago when he led a group of dissidents that gained control of what was then a sleepy agricultural futures market. In addition to strong gains in trading volume, the Merc is poised to launch an innovative after-hours electronic trading system, Globex, later this year.

Since taking over the Merc, Mr. Me-

lamed has played a key role in practically everything from influencing the choice of federal futures industry regulators to championing the introduction of innovative products, beginning with foreign currency futures in the early 1970s.

Mr. Melamed isn't shy when it comes to assessing his importance to the futures industry. He said that he sent out more than 1,000 facsimile messages to industry officials and others to inform them of his decision to step down. "All these people deserve . . . my spending a few minutes with them," he said.

When not orchestrating Merc politics, Mr. Melamed has been the futures industry's standard-bearer on Capitol Hill in recent years, convincing legislators for the most part that the futures industry is a vital link in global financial markets and would be endangered or driven overseas if regulatory supervision were too stringent. His efforts have often been followed by fat honoraria checks from the Merc to Democrats and Republicans, making the futures industry one of the most effective special-interest groups in Washington.

The recent federal investigation of alleged fraud on the Chicago futures exchanges' trading floors has tarnished the futures industry's reputation with the public and in Washington since the inquiry surfaced in early 1989. But Mr. Melamed helped blunt criticism of the industry and may also have staved off significantly tougher federal regulation by quickly forming a Merc committee last spring that made its own recommendations for stricter trading rules.

Mr. Melamed also played an important role in defending the industry on Capitol Hill after the stock market crash of October 1987, when trading in stock-index futures was widely blamed for worsening the stock market plunge.