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Merc leader Leo Melamed: "I genuinely want to retire from all forms of exchange work or industry work. My 'Blueprint for the '90s' was a statement of farewell to the members."

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'I am very, very pleased'

By Jerome Idaszak
Washington Bureau / Chicago Sun-Times

WASHINGTON—Leo Melamed, one day after his surprise announcement that he intends to quit his official duties with the Chicago Mercantile Exchange, made two things clear. He intends to go. But it won't be quietly.

In a telephone interview from his office Tuesday, the 57-year-old Melamed said he won't pull a Sugar Ray Leonard and keep returning to the ring.

"I will be available to the industry in terms of advice, an occasional speech, [congressional] testimony . . . but I'm clearly not going back to day-to-day activities.

"I genuinely want to retire from all forms of exchange work or industry work. My 'Blueprint for the '90s' was a statement of farewell to the members," he said about a pamphlet handed out last month.

Some looked at the document—in particular the part about wanting to settle feuds over regulatory jurisdiction—and figured that Melamed saw imminent defeat in the battle to keep the Securities and Exchange Commission from grabbing control over stock index futures.

"Totally wrong," Melamed said. "I would be

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stupid to suggest that there's a reason to give stock index futures to the Securities and Exchange Commission. There is no reason for that."

Stock index futures aren't an overwhelming part of the Merc's business. In 1989, futures on the S&P 500 comprised about 10 percent of the exchange's total volume of 104.65 million contracts. But since their launch in 1982, the futures have been copied in London and Tokyo and their use has become integral for some big money managers and pension funds.

"They brought a new instrument of risk management to the world," Melamed said. "There isn't a major, substantive reason why jurisdiction ought to be shifted . . . it's an argument that's specious . . . I'll be around to fight it."

That fight looms as more serious for the futures industry this year than any time since a 1982 battle threatened to leap into the lap of Congress. But it won't cause Melamed to reconsider his plans.

"It isn't a suddenly new crisis," he said, unlike the stock market's 508-point plunge in 1987, or the disclosure in early 1989 of the FBI undercover investigation of trading on Chicago's exchanges. "I couldn't leave at that moment of need for the industry."

Such statements make his critics bristle over what they call Melamed's big ego. But even those who don't share his view of futures regulations admire his role in creating and building that market and boosting the futures industry.

"He's a brilliant, creative, thoughtful man who transformed the [financial] markets," Robert Downey, chairman of Goldman, Sachs & Co. and chairman of the Securities Industry Association, said here Tuesday.

As important as who supervises regulation may be the internal politics of

Merc leader Leo Melamed—then a commodities trader—keeps busy in the live cattle pit in 1974.

the Merc itself as Melamed prepares to leave.

Some observers think his departure will usher in a period of turmoil similar to the late 1970s at the Chicago Board of Trade, which saw some bitter contests for chairman.

During that time, the Merc hummed along with the launch of new products with members seeming to eagerly follow Melamed's path. One high-ranking CBOT official said that whenever Melamed decided to step aside, the struggle over direction would hit the Merc.

"It depends on the times and the leadership," Melamed replied. "I had a certain rapport with the members so it was easier for me. I grew up on the floor, they knew me and I knew them . . . that's hard to substitute, but there will be others. We have members on the board who are products of the floor."

And, just as CBOT President Thomas Donovan has played a key role in the direction and development there, the Merc has a counterpart in William Brodsky, who's been president since 1982.

"Bill Brodsky and the senior staff are some of the most capable in the nation," Melamed said. "When Bill came from the [American Stock Exchange], he didn't know much about futures. But the trust has developed . . . I think it can be developed. I think it has.

"An institution is bigger than any one person," Melamed added. "A lot of the innovation has come from my prodding and thinking. But there will be others to suggest innovation."

One new burden that Melamed's successors will carry, though, is the continuing fallout from the FBI investigation. Even in this instance, Melamed argues that the industry has reacted quickly to the problems.

"I've said it before, but it bears repeating: The percentage of wrongdoing here is no worse a percentage than you're going to find in banking or securities or real estate. In fact, I think ours would measure up to most industries.

"Our past has been to catch the 'big wrongdoing.' We didn't have the fine net to catch the small violations that truly are bad because they add up over time. Now the net is truly fine . . . there are going to be trials [of traders in federal court] . . . but there isn't anything we haven't reacted to."

Looking back, Melamed is proud of the Merc's development over the past two decades: its growth to 2,724 members and the value of a membership to about $500,000.

"It hasn't been an easy road," he said, "but we created a new industry that has received acclaim around the world; created a risk management product that is copied around the world, and made this industry equivalent to other industries with the jobs, the amount of business flow . . . looking at that I am very, very pleased."