



Tribune photo by John Irvine

John Sandner: The Merc chairman and his predecessor compete for public attention.



Reuters photo

Leo Melamed: The former Merc chairman has declined, "with regret," a request to stand for election to the CBOT's governing board.



Tribune photo by David Kobucik

Patrick Arbor: The CBOT chairman is cultivating increasingly close, but informal, ties with Melamed.

A twist to futures rivalry

Melamed declines CBOT offer to run for its board

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Leo Melamed, the former chairman of the Chicago Mercantile Exchange who has been closely identified with its burgeoning fortunes for two decades, has declined an invitation to run for a directorship at the Chicago Board of Trade, the Merc's cross-town rival.

In a letter, Melamed, credited by some with pioneering financial futures contracts and revolutionizing the way portfolio managers handle risk, declined the request to stand for election to the CBOT's governing board in the Dec. 8 elections.

The disclosure came as the CBOT nomi-

inating committee Wednesday unveiled its endorsements for first and second vice chairman, six directorships and several other posts.

The CBOT's peace initiative to Melamed is bound to complicate already-frigid relations between CBOT Chairman Patrick H. Arbor and his counterpart at the Merc, John F. Sandner. At the Merc, extension of a CBOT olive branch to Melamed, himself a fierce rival of Sandner's for public attention, likely will be viewed as the CBOT once again trying to rile Sandner.

Since Melamed relinquished ties to the Merc's political apparatus about three years ago, he, Arbor and CBOT President Thomas R. Donovan have cultivated an

increasingly close, though informal, relationship to deal with sensitive challenges confronting the Chicago exchanges. Last spring, in a move that did not sit well at the Merc, the CBOT helped market Melamed's latest book, an anthology of speeches and papers, by offering it at a deep discount to members.

Though Arbor and Sandner vowed to work closely on mutual issues when Arbor took over as CBOT chairman in January, that pledge soon evaporated amid squabbling and distrust.

Since early summer, Arbor and Sandner haven't lost an opportunity to take shots at one another's markets, at the products they trade or at each other. The

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bickering even dogged Sandner, Arbor and their entourages during a recent 10-day marketing swing through China, Taiwan and Hong Kong.

Feuding has focused on issues great and small, from who sits where at the speaker's table to which exchange is the world's largest to the mission of Globex, the troubled \$100 million after-hours futures-trading system operated by the CBOT, the Merc and Reuters Holdings PLC of London.

The competition, coincidentally, was fueled with the release by the CBOT and the Merc of their latest trading-volume figures. The Merc and the CBOT each asserted a pre-eminent position among world derivatives exchanges, though each used different criteria.

Reached for comment, Arbor, who noted that the CBOT Tuesday traded a record 1.4 million futures and options, said:

"The latest figures reflect our world-record-setting pace. There is only one true barometer of success in our industry, and that is trading volume. We are No. 1."

The Merc saw it differently. Noting that the underlying value

of products traded in October on the exchange had risen to \$7 trillion while open interest—the number of contracts opened but not yet closed out—stood at 5.1 million, the Merc declared that those numbers were "greater than the world's second-largest exchange," meaning the CBOT.

Melamed, in his letter to Irwin N. Smith, chairman of the CBOT nominating committee, stated that he was honored by the invitation to run for CBOT director but was compelled to reject it, partly because of a possible professional conflict with his role as the Merc's chairman emeritus. He left the door open for a possible future nomination, however.

"While I respectfully must decline your suggestion, I do so with regret and with the following understanding: I hope the CBOT members respect my decision and will consider me again. In turn, I will be pleased to continue to provide advice to the CBOT in any way I can," Melamed wrote.

Melamed also said serving as a CBOT director might have detracted from his responsibilities as chairman and chief executive of Sakura Dellsler Inc.

The futures and options firm was created about three years ago, after Melamed sold a controlling

interest in Dellsler, a trading firm he established in the 1960s, to Sakura Bank of Tokyo, the world's third-largest bank.

The Melamed letter came to light as the nominating committee announced its selections.

In a decision likely to cause division among CBOT ranks, the committee renominated Charles P. Carey, a veteran grain trader, for first vice chairman over Hal T. Hansen, chairman of Cargill Investor Services Inc., whose constituency is tied to the exchange's powerful futures brokerage community.

Ralph I. Goldenberg, chairman of Goldenberg, Hehmeyer Inc., a CBOT clearing member firm, was nominated for second vice chairman. John Benjamin, incumbent second vice chairman and a managing director of Smith Barney Shearson Inc., was nominated for a directorship.

Also nominated for the board were Ann E. Berg, a local grain trader; David Fisher, who sits on the exchange executive committee; R. Jeffs Kollar, a local trader; Gordon Linn, president of Linnco Futures Group Inc.; Paul R.T. Johnson, who runs floor operations for Quantum Financial Inc.; and Henry G. Jarecki, chairman of Brody, White & Co.