

Melamed Credits Technology for Futures Success

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SAN FRANCISCO — The man credited with pioneering the world's first financial futures markets told a gathering of money managers here that the phenomenal rise of financial futures and the fall of communism were caused by technological innovations sweeping the world.

Leo Melamed, chairman emeritus of the Chicago Mercantile Exchange, also said Thursday the exponential growth in managed futures would continue into the 21st century, as increasing numbers of private and public pension fund managers learn to use them as hedging tools and investment vehicles.

While Mr. Melamed was enthusiastic about emerging financial trends in the Far East, he cautioned that a relatively stable world economy could become sidetracked by chaos in the Soviet Union, a country that, he said, "has achieved a new meaning for the word bleak."

"It cannot be overemphasized. Telecommunications and technological changes have caused and will continue to cause more globalization, greater interdependence, instantaneous informational flows, immediate recognition of financial risks and opportunities and intensified competition," said Mr. Melamed in a luncheon address to 500 leading futures industry participants, many of them from Pacific Rim countries.

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— Leo Melamed, Chairman Emeritus, Chicago Mercantile Exchange

"Telecommunications made it impossible to maintain dictatorial rule; it made it hopeless to hide the unmitigated bankruptcy of state-oriented economics, and yes, in the final act, it made it futile to resort to a coup d'etat of bygone eras.

"The would-be putschers forgot to take out the fax lines," he said.

A forceful spokesman for his industry and well known for taking the global approach to financial and non-financial matters, Mr. Melamed made his remarks at a three-day gather of money managers, brokers, commodity exchange leaders and other industry members from Europe, the United States and the Far East sponsored by Futures Magazine and Sentinel Financial Services Inc., a Chicago firm that manages customer funds not committed to margin requirements.

Mr. Melamed also told the gathering that futures is gaining greater acceptance by money managers. "In the last decade, the amount of money invested in managed-futures ac-

counts of all kinds grew from something below \$1 billion to nearly \$20 billion," he said.

"In the last few years, more and more public and private pension funds are utilizing futures not only as a hedge mechanism but as an asset class. In the last 12 months, moves are afoot in many financial centers and of particular significance, in the Pacific Rim and Japan, to adopt regulations which will allow and encourage the use of managed futures," he said.

More importantly, perhaps, the meeting is a measure of the relentless march by Japanese banks and stock brokerages into futures, an industry that until 20 years ago was dominated almost exclusively by Americans at markets such as the Chicago Mercantile Exchange and the Chicago Board of Trade.

As of July, Japanese institutions had purchased all or a portion of 13 clearing-member firms at the CME, up from zero about five years ago, and four clearing firms at the CBT.