

DERIVATIVES

HALL OF

FAME

1997

How Leo Melamed, Myron Scholes, Richard Sandor and Allen Wheat helped create the derivatives market—and turned the financial world upside down.

For Leo Melamed, the key inspirational event was a rebuff from a commercial bank. He wanted to make a play on the dollar in 1973 but was told he couldn't trade currencies without a commercial interest. The result: the first exchange-traded currency contract.

For Myron Scholes, it was the intellectual curiosity about options he shared with colleague Fischer Black at a Thursday evening finance workshop at MIT. The resulting collaboration was what Nobel Prize-winning economist Merton Miller calls "one of the most important intellectual achievements of the latter part of the 20th century."

Richard Sandor created interest rate futures from a

growing conviction that the burgeoning market in government debt would create an enormous demand for hedging products. And Allen Wheat left a treasury job at General Foods to market interest rate swaps at Bankers Trust because, he admits frankly, it was a great chance to make some money.

In the following pages, we profile the first four members of the Derivatives Hall of Fame, honoring the people who have made major contributions to the derivatives market. Their biographies chronicle the tough beginnings in Chicago in the 1970s, the birth of the OTC market in the 1980s, the expansion into new markets and, finally, the explosion of new instruments and techniques in the 1990s.