

Plan money futures market here

By Richard C. Balough

A new market for monetary speculators will be opened in Chicago, the Mercantile Exchange announced Monday.

Leo Melamed, chairman, said the exchange is planning to offer futures contracts in at least four foreign currencies, beginning in March.

"Such a market will be of striking importance to the United States," he said.

Under the plan, which is still being reviewed by the government, the exchange would offer futures contracts in the Canadian dollar, German mark, Swiss franc and English pound.

MELAMED said the details of the contract have not been worked out since the announcement was made about two weeks before the exchange had planned. He said the weekend monetary agreement by the Group of 10 forced the announcement Monday.

Money futures would likely be dealt in by banks or corporations seeking to protect themselves against fluctuations in international money rates.

Even though the major world trading nations have agreed on new exchange rates, there is still room for the currencies to fluctuate 2 1/4 per cent on either side of parity.

A futures contract is an agreement to deliver a specified amount of a commodity at a fixed future date and at an agreed price.

THE TRADING also would provide individuals a way to speculate on currency fluctuations.

Melamed and Mark Powers, director of research and education, did outline how the contract would probably work: The contracts would be for \$150,000 to \$250,000, would be for six months, one year and one and a half years, and would come due at least every other month and possibly every month.

Initial margin requirements would be "less than 5 per cent," Melamed said, indicating margins of as low as 1 to 2 per cent might be allowed at the beginning of a contract.

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Plan currency market here

THE Chicago Mercantile Exchange today announced plans to develop a futures market for foreign currency.

The commodities market, which up to now has dealt in such items as pork bellies, eggs, shrimp and live cattle, also said it has retained Prof. Milton Friedman of the University of Chicago to analyze the feasibility and need of such a market.

Leo Melamed, C. M. E.

chairman, said present plans call for the listing of at least four major currencies — Canadian dollars, Swiss francs, English pounds and West German marks.

"WHEN present negotiations with various major banks have been finalized with respect to the delivery system, the C. M. E. will announce all the detailed specifications of this new market as well as the opening date,"

Melamed said.

The exchange official said such a market has been under study for more than a year and that the Group of Ten agreement over the weekend providing for a dollar devaluation and a revaluation of other exchange rates "have made it imperative that we proceed with this new market as soon as possible, hopefully early next year."

Melamed said a preliminary study by Friedman indicated that the market was feasible.

IN THE paper, the economist said that "it is clearly in our national interest that a satisfactory futures market [in foreign currencies] should develop . . . since that would promote U. S. foreign trade and investment.

WEST PALM BEACH, FLORIDA, MONDAY AFTERNOON, DECEMBER 20, 1971

Foreign Currency Futures Planned

CHICAGO (DJ) — Changes in the international monetary system have prompted the Chicago mercantile exchange to develop a futures market in foreign currency, its chairman, Leo Melamed, said.

This "had been under serious consideration by our exchange for over a year," he added.

The anticipated monetary developments and agreement for wider margin of fluctuation of foreign exchange rates "have made it imperative that we proceed with this new market as soon as possible hopefully early next year," Melamed said.

He said Milton Friedman, economist and professor of economics at the University of Chicago, had been retained by the exchange to analyze the feasibility and need of such a futures market.