



## Interview with Leo Melamed

Chairman Emeritus of the CME Group and Founder of Financial Futures

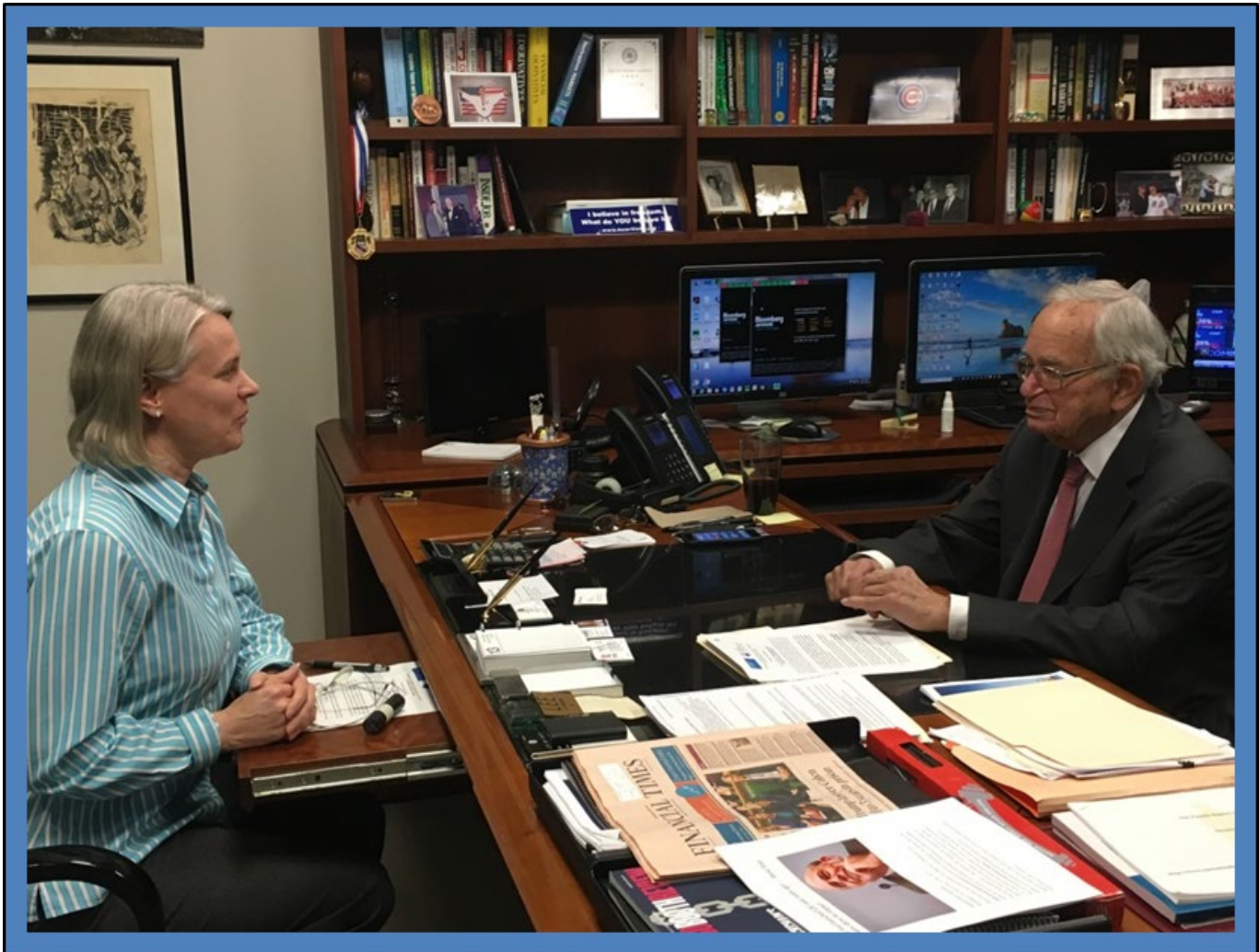


**Mr. Leo Melamed**, Chairman Emeritus of the CME Group, in his Chicago office in December 2018. Melamed initiated the development of Globex, which was the first electronic trading system designed for futures and options trading.

In December 2018, the Contributing Editor of the *GCARD* had the honor of meeting with Leo Melamed, Chairman Emeritus of the CME Group, at his office in Chicago to discuss financial and technological innovation, past and present. Melamed was the Chairman of the Board at the CME from 1968 until 1976, after which he continued to serve in a number of board leadership positions. His significant contributions to the CME Group in specific, and to the financial industry in general, were recently recognized by CME Group Chairman and Chief Executive Officer Terry Duffy: Leo Melamed’s “invention of financial futures and pioneering of electronic trading shaped the financial markets as we know them today,” stated Duffy in CME Group (2018).



In our interview with the Chairman Emeritus, we focused on technological change in the financial markets. We specifically asked Melamed about the wrenching move from floor trading to electronic trading and also about his thoughts on the potential for disruptive change due to bitcoin and blockchain.



**Ms. Hilary Till**, Contributing Editor of the *GCARD* and Solich Scholar at the J.P. Morgan Center for Commodities at the University of Colorado Denver Business School, interviewing Chairman Emeritus Leo Melamed in December 2018.

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## Interview with Leo Melamed

### ***Globex***

Melamed noted that while the introduction of financial futures contracts and eventually cash settlement (rather than physical delivery) were big, groundbreaking ideas that he initiated at the Chicago Mercantile Exchange, bringing about electronic futures trading was a “huge idea.”

Recalled Melamed: by 1986, “I knew that automation was happening everywhere, and it was going to capture our industry,” so he began working on bringing electronic trading to the Chicago Mercantile



Exchange. “It was the hardest thing I ever worked on, harder than” establishing financial futures contracts or cash-settlement procedures, related Melamed. It wasn’t until 1992 that electronic futures and options trading under the Globex system was finally launched at the Chicago Mercantile Exchange.

Because of the potential for job losses that would come with replacing open outcry trading, Melamed endured physical threats, which meant that at the time, he “had a policeman guarding ... [him] and ... [his] office door,” recounted Melamed. “But I knew that if we didn’t [provide electronic trading] ...,” Melamed continued, there would [eventually] be no Chicago Mercantile Exchange, no CME Group. Some other outfit in Europe or in Asia would [fill the gap] ...; they didn’t have an open outcry history, and they would just do electronic trades. And because of the efficiency, the cost, and the honesty that electronic [trading] provides,” such characteristics would provide a brutal competitive threat to the open-outcry business model, which the Chairman Emeritus extensively covered in Melamed (2009).

“Nobody can stop the technology involved. So between all the good I saw coming out of technology, it certainly was going to capture our market so [you] either [had to] bite the bullet and take the pain or you lose the whole thing,” Melamed concluded.

### ***Bitcoin and Blockchain***

Regarding recent technological innovations in the financial arena, Melamed was noncommittal on the utility of bitcoin. But “blockchain is different. That is a technology that allows you to record transactions in a much more efficient and certain way than presently. So yes, that has real strong possibilities,” forecast Melamed. “But it’s going to be a long time coming. It isn’t something that can overwhelm” a market like electronic trading did in quickly replacing open-outcry trading floors, “but blockchain is a good technology ... [that] will take some time,” predicted the Chairman Emeritus.

In terms of the potential for the implementation of blockchain to obsolete various financial intermediaries, Melamed agreed that “in a way it’s very scary like it was for the brokers that lost their jobs being a broker in a pit.” But he concluded the interview with noting that “you are never going to stop technology; I am a big believer in, first of all, the advancement of technology and second, the embracement of technology.”

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### **References**

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### **LEO MELAMED**

#### **Chairman Emeritus of the CME Group**

Mr. Leo Melamed is recognized as the founder of financial futures and introduced the International Monetary Market in 1972. He has served as Chairman Emeritus of CME Group since 1997 and as a board member since 1967. He also played a leading role in the development of the CME Globex electronic trading system in 1992.



Mr. Melamed currently serves as Chairman and CEO of Melamed & Associates, a global consulting group, and as advisor to the National Futures Association, the International Advisory Council of the China Securities Regulatory Commission, and Leap Innovations. He serves on the board of overseers of the Becker Friedman Institute of the University of Chicago, and as a director of The Chicago Council on Global Affairs. Mr. Melamed is a published author of several books and the recipient of multiple awards around the world, including the Order of the Rising Sun, Gold and Silver Star, from the Government of Japan. He holds Doctor of Letters distinctions from the University of Illinois, Loyola University, DePaul University, the Tokyo-based Waseda University, and a Doctor of Humane Letters from Sacred Heart University.