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# Wall Street & Technology

INFORMATION TECHNOLOGY FOR THE SECURITIES & INVESTMENT MARKETS

THE TOP 10  
FINANCIAL  
TECHNOLOGY  
INNOVATORS  
OF THE DECADE

# WS&T BRINGS YOU THE PEOPLE BEHIND THE INNOVATIONS

**W**e've all grown comfortable with the technology that we use in financial services each day. So much so that we just about remember life without some of the major innovations of the 90s. But if you just think back 10 years, for just a minute, you'll remember ...

There was no such thing as an ECN—unless you count Instinet, which even Instinet does not. Retail investors couldn't trade stocks through their home PC, as there was no public network to connect them to their broker. Wide area networks, local area networks and fax machines were the novel forms of communication. The idea of a trade-order management system hadn't even been conceived, and portfolio management systems were just being conceptualized. All these new systems fostered the need to link one system to the next—giving birth to middleware—another technology that was nonexistent 10 years ago. And these are just some of the innovations over the past decade.

Choosing the top 10 innovators in financial technology was no easy task. There have been so many major contribu-

tors to technology in the financial services arena in the last 10 years. Surely we could have chosen 25 people, or even more.

We didn't choose the Top 10 alone. Each member of the WS&T staff went out to his or her sources and other experts in the industry and asked who they thought was deserving of this title. From the number of votes and through staff discussion, the top 10—in no particular order as this is not a ranking—were selected.

Many other names came up and deserve an honorable mention such as Bernie Weinstein, from ILX, for leveling the playing field in market data by creating an open platform that was more cost effective. Mike Bloomberg, too, was mentioned several times—but the industry agreed that most of his masterminding was actually done in the 1980s. Wit Capital's Andy Klein deserves recognition for introducing the idea of online investment banking, and Thomson ESG's Howard Edelstein, gets a nod for getting the industry to adopt electronic trade confirmation. Bill Lupien, one of the founders of Instinet and, in the 1990s, founder of Optimark, was also a contender. It was a difficult choice, but the WINNERS ARE ...

## Leo Melamed— Futures Visionary

**W**ay back in 1984, Leo Melamed had an idea to write a science-fiction novel about a master computer that controlled five alien planets. Dubbed *"The Tenth Planet,"* the novel's concept triggered an interesting thought in Melamed's mind. "If I could create a master computer that could run five planets, why can't we create one damn electronic system that could run orders," Melamed recalls thinking.

At the time, of course, Melamed was chairman of the Chicago Mercantile Exchange, and had already established himself as something of a visionary in the worldwide futures community. In fact, that same year, in an attempt to protect the Merc's flagship Eurodollars contract from international competition, Melamed fashioned the CME's now famous mutual offset agreement with the Singapore International Monetary Exchange (SIMEX). However, the success of the CME/Simex partnership notwithstanding, Melamed's idea to create an electronic trading system for derivatives trading is what truly solidified his legend in the financial futures realm.

Eventually, Melamed's concept would give birth to Globex, the first automated trading platform for derivatives contracts in the U.S. Today, that platform—which was initially used strictly for after-hours trading and is now called Globex2—is recognized as one of the world's best derivatives trading systems.

"Melamed was pretty much ahead of the curve on electronic trading," says Michael Manning, chief operating officer of Chicago-based FCM Rand Financial Services and a member of the Chicago Board of Trade's board of directors. "Even then, it was obvious that this was a guy with vision. He couldn't have imagined, I don't think, when this [electronic trading boom] was going to occur, but he wanted the Merc to be ready for it ... [And], there's no question, history has proved him right."

Melamed says his electronic trading idea really began to gain steam in 1986, when he headed up the Merc's strategic planning committee. "In that strategic committee, we came to the conclusion that the attempt to compete internationally through open outcry was like trying to put a finger in a dyke," recalls Melamed. "My view was that you could not trade 24-hours in an open-outcry environment in any efficient manner ... [but] at the time the idea of a black box solution for trad-

ing was like Darth Vader. It was considered the worst evil possible, because it would take away the open outcry business from the floor. And so we had to do this very, very quietly."

In September 1987, after the committee addressed concerns about the future of open-outcry trading, the members of the CME approved Melamed's after-hours electronic trading proposal. In 1992, after five years and at a cost of more than \$100 million, Reuters—the vendor the CME commissioned to build the system—rolled out Globex at the Merc.

In 1992, coincidentally, Melamed cut ties with the Merc—after 25 years as chairman—to pursue other interests. He became, and still is, chairman and CEO of Sakura Delsner, a privately owned FCM. He also authored his autobiography and started hatching the plot for *"Cousins,"* his soon-to-be-released sequel to *"The Tenth Planet."*

In 1997, after a five-year sabbatical from the Merc, Melamed was appointed senior policy advisor to the CME's board. With that position in tow, Melamed—who also serves as the CME's chairman emeritus—helped spearhead of the Globex Alliance. That partnership, which is now comprised of seven exchanges, calls for derivatives markets worldwide to adopt Globex2 as their standard platform. —Robert Sales



Leo Melamed