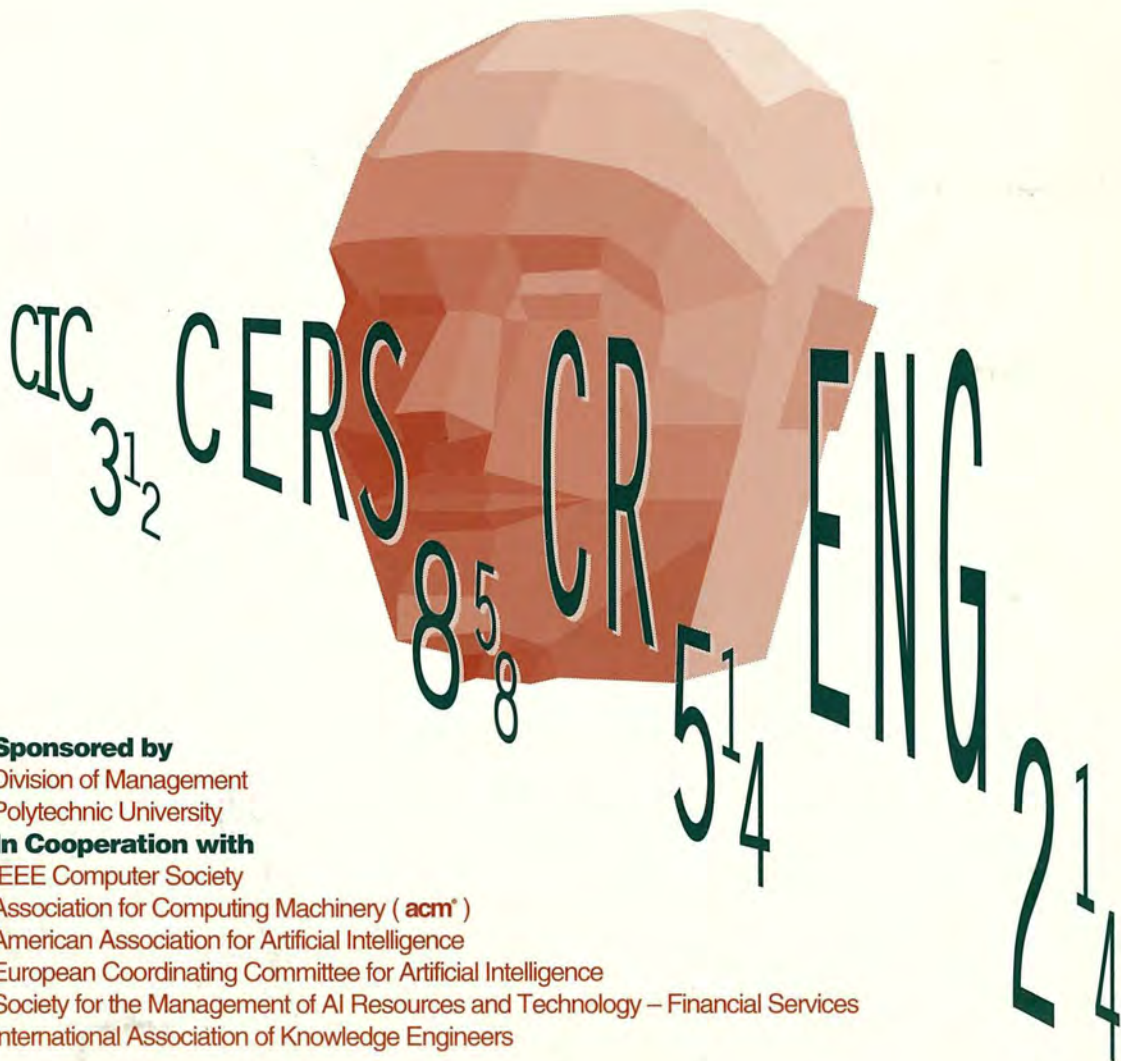


The First International Conference on

ARTIFICIAL INTELLIGENCE APPLICATIONS ON WALL STREET

October 9-11, 1991

New York, New York



Sponsored by

Division of Management
Polytechnic University

In Cooperation with

IEEE Computer Society

Association for Computing Machinery (acm*)

American Association for Artificial Intelligence

European Coordinating Committee for Artificial Intelligence

Society for the Management of AI Resources and Technology – Financial Services

International Association of Knowledge Engineers

1951-1991



IEEE Computer Society Press



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THE INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, INC.

Introduction

On the third day of my arrival [on Wall Street]... the complicated general instrument for sending on all the lines, and which made a very great noise, suddenly came to a stop with a crash. Within two minutes over three hundred boys – a boy from every broker in the street – rushed upstairs and crowded the long aisle and office, that hardly had room for one hundred, all yelling that such and such a broker's wire was out of order and to fix it at once. It was pandemonium, and the man in charge became so excited that he lost control over all the knowledge he ever had. I went to the indicator, and, having studied it, thoroughly knew where the trouble ought to be, and found it... Doctor Laws appeared on the scene, the most excited person I had seen. He demanded of the man the cause of the trouble, but the man was speechless. I ventured to say what I knew what the trouble was, and he said "Fix it! Fix it! Be quick!"... In about two hours, things were working again...

Thomas A. Edison, describing his first job on Wall Street in 1868.
Reported in *Edison, His Life and Inventions*, by F.L. Dyer and T. C. Martin,
Harper & Brothers: New York 1910.

Wall Street's on-going need for new and faster ways to process knowledge has a long history. The first real relationship between electronic information processing technologies and Wall Street was established by S. Laws in 1866. Laws set up an information service where gold quotes were telegraphed from the New York Gold Exchange to a "central." There, the quotes were distributed to any subscriber connected to an "indicator." Indicators displayed quotes on a moving dial marked in eighths; four electronic pulses from the central were required to move the dial between the fractions. The dramatic innovation here was that subscribers were not required to know Morse code to use the system! Within a year, Laws' Gold Reporting Telegraph had fifty subscribers, and his Gold Indicator Company hired a 21-year old telegraph operator named Thomas Edison to keep the central system from crashing.

In 1867, a competing system was developed by D. Callahan at the New York Stock Exchange, where a printing wheel was substituted for a display wheel. Callahan's innovation was the utilization of a new kind of printing telegraph (called a *ticker* because of the sound of the impact printing). His Gold & Stock Telegraph Company at 18 New Street was so well capitalized that they used insulated wires (costing 40 times as great as bare wires), to prevent the short-circuits caused by mice and insects.

Both systems relied on the telegraph and telegraph operators. In some ways, the telegraph operator was similar to today's knowledge engineer. The telegraph operator was a highly paid technologist whose primary task was to write and read Morse code, the standard representation of the day. Reconstructing transmitted code was difficult: because of the "noisy domain" (misspellings, missing words, missing sentences, poor insulation, crashes), translation was based on the context

and semantics of the material. Edison said that receiving operators often had to make up 20% of the text. Good operators had to be constantly aware of current news events and price movements in the primary markets. Semantics-based translation is still a difficult and interesting AI domain in automated news understanding.

The competition between tickers and indicators ended with a merger. In 1869 the new Gold & Stock Telegraph Company then hired Edison and Franklin Pope, a fellow telegraph operator (they founded Pope, Edison & Co., with offices at 78 Broadway), as consultants. Edison developed a "universal ticker" to be used on an international scale. His user interface design was that the new system should be simple to operate, because "they did not have the experts we had in New York to handle anything complicated." Today, his design ideas would be called "object oriented." The parts were standard and interchangeable. In those days, Edison said there were three types of interchangeability: first, the parts fit; second, they will almost fit; third, they do not fit, and can't be made to fit (an observation that still unfortunately holds today for many software systems). Approximately 1200 universal tickers were installed.

At the *First International Conference on Artificial Intelligence Applications on Wall Street*, we will hear about the newest applications of knowledge-based technologies for financial service applications. Even though terms like "artificial intelligence," "knowledge engineering," and "expert system" did not exist in the 1860's, I am sure that Edison and his colleagues would understand the concepts discussed in the quality papers published in these *Proceedings*.

It is indeed appropriate that this conference is held in cooperation with the IEEE. Franklin Pope, Edison's partner, became president of the American Institute of Electrical Engineers (a forerunner of the IEEE) in 1886. The IEEE has been extremely helpful; I want to thank Robert Werner and Henry Ayling, of the IEEE Computer Society for their help in organizing the *Proceedings*.

I also want to acknowledge the help of our other cooperating societies: AAAI, ACM, ECCAI, IAKE, and SMART-F\$; our paper session and panel session chairs, our invited speakers, and of course, our Program Committee. Special thanks to Yuval Lirov of Salomon Brothers for his help with scheduling the speakers. Finally, I want to thank our Sponsor, the Division of Management of Polytechnic University. Special thanks to our Finance Chairman, Dean Ernest Racz; our Local Arrangements Co-Chairs, Mary Bianchi and Romolo De Santis; and Charles Wildermuth, all from Polytechnic University.

Roy S. Freedman
Inductive Solutions, Inc.
July 22, 1991

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TABLE OF CONTENTS

Introductionv
Program Committeevii

Invited Speaker: AI and Multimedia: Competitors or Allies for the Wall Street Desktop?
D. Schutzer

Paper Session: Understanding News **Chair: Y. Lirov**

Adding Value to Financial News by Computer	2
<i>P.J. Hayes and S.P. Weinstein</i>	
Using News Understanding and Neural Networks in Foreign Currency Options Trading	9
<i>E.R. Addison</i>	
A Wide Area Network Information Filter	10
<i>M.F. Wyle</i>	
Name Classification in Noisy Domains	16
<i>R.P. Frail and R.S. Freedman</i>	
Natural Language Interface to a Corporate Cash Management System	23
<i>M.D. Harris</i>	

Paper Session: Market Prediction **Chair: G. Stuzin**

Using Neural Nets to Predict Several Sequential and Subsequent Future Values from Time Series Data	30
<i>J.E. Bowen</i>	
Selecting Neural Network Architectures via the Prediction Risk: Application to Corporate Bond Rating Prediction	35
<i>J. Utans and J. Moody</i>	
An Intelligent Trend Prediction and Reversal Recognition System Using Dual-Module Neural Networks	42
<i>G.-S. Jang, F. Lai, B.-W. Jiang, and L.-H. Chien</i>	
Neural Networks and the Mathematics of Chaos—An Investigation of These Methodologies as Accurate Predictors of Corporate Bankruptcy	52
<i>D.T. Cadden</i>	
Predicting Short and Long Term Financial Trends	58
<i>H. Guggenheimer</i>	
Panel: Winning Management Support: Cost Justifying AI Projects on Wall Street	60
<i>Chair: S. Garavaglia</i>	

Paper Session: Risk Management for Portfolios **Chair: J. Mathai**

The FLiPSiDE Blackboard: A Financial Logic Programming System for Distributed Expertise	64
<i>D.G. Schwartz, L.S. Sterling, and E.J. Mayland</i>	
The SPLENDORS Real Time Portfolio Management System	73
<i>T.M. Patel and G.E. Kaiser</i>	
The ALEXSYS Mortgage Pool Allocation System	79
<i>S.J. Stolfo, P.K. Chan, L. Woodbury, J. Glazier, and D. Ohsie</i>	

Paper Session: Trading Expert Systems

Chair: J. Beier

A Technical Analysis Expert System with Knowledge Refinement Mechanism	86
<i>T. Yamaguchi and Y. Tachibana</i>	
TRADER: An Expert System for Trading Commodities Futures	92
<i>C.A. Brown, I. Holland, and R. Mesch</i>	
A New Perspective on Conflict Resolution in Market Forecasting	97
<i>M.B. Fishman, D.S. Barr, and E. Heavenner</i>	
Achieving Excellence in the Global Marketplace Using Knowledge-Based Simulation	103
<i>D.H. Yu</i>	
Invited Speaker: AI Solutions in Support of Global Trading	109
<i>R.I. Phelps</i>	

Panel: Time is Money—Knowledge Acquisition on Wall Street

Co-Chairs: E. Byrnes and Y. Lirov

Paper Session: Risk Management for Compliance

Chair: B. Leach

Case-Based Reasoning for Market Surveillance	116
<i>P. Buta and R. Barletta</i>	
SEPT: A Hybrid Intelligent Support System for the Bank Treasury Dealing Room	122
<i>F. Gardin, R. Power, H.C. Taylor, G. Baldassi</i>	
Margin Credit Evaluation System	128
<i>R. Beshinske, S.R. Spence, and R. Nigam</i>	
The Collateral Perfection Analysis and Recommendation Knowledgebases—C.P.A.R.K. . . .	132
<i>E. Byrnes and D. Nealis</i>	
Program Traffic Locator—A Knowledge-Based Expert System	135
<i>S.R. Nair</i>	

Paper Session: Risk Management for Trading

Chair: N. Goldsmith

A Knowledge-Based Approach to Solving Hedge Design Problems	140
<i>M. Benaroch and V. Dhar</i>	
A Constraint-Oriented Decision Support System for Option-Based Investment Strategies . .	146
<i>F. Mizoguchi and H. Ohwada</i>	
Evidential Reasoning in Foreign Exchange Rates Forecasting	152
<i>H.H.S. Ip and H.-M. Wong</i>	
Decision Support System for Position Optimization on Currency Option Dealing	160
<i>S. Yamaba and H. Kurashima</i>	

Paper Session: Underwriting and Interpretation

Chair: P. Clancy

Automated Underwriting at Continental Canada: Results and Major Obstacles	168
<i>M. Pilote and M. Fillion</i>	
Guidelines: A Production Rule Based Implementation of Mortgage	
Insurance Underwriting Policy	174
<i>D.D. Still, R.S. Short, D.B. Williams, and D.C. Golibersuch</i>	
Model-Based Financial Data Interpretation	178
<i>W. Hamscher</i>	

Paper Session: Mergers and Acquisition

Chair: M. Gargano

MASTER: A Case-Based Design to Augment Corporate Mergers and Acquisitions Decisions	188
<i>G. Berg-Cross and L. Claudio</i>	
Company Acquisition Analysis Formulating Queries with Imprecise Domains	194
<i>E. Cox</i>	
Integrating Neural Networks and Expert Systems for Merger & Acquisition Analysis	200
<i>P.J. Lyons and S.C. Persek</i>	
Invited Speaker: Distributed Systems Management on Wall Street—AI Technology Needs	206
<i>A. Melamed</i>	

Paper Session: Financial Expert Systems

Chair: J. Samarias

The Strategic Significance of Expert Systems	214
<i>R.C. Kick</i>	
From Technology Push to Market Pull: Expert Systems in the Front Office	220
<i>S.R. Davis</i>	
An Intelligent Approach to Financial Valuation	226
<i>R.M. Miller</i>	
Case-Based Reasoning for Financial Decision Making	232
<i>S. Slade</i>	
Management of Uncertainty for Intelligent Financial Systems	238
<i>E. Cortés-Rello and F. Golshani</i>	

Paper Session: Selection and Specification

Chair: E. Racz

The Application of Knowledge-Based Systems to Brand Evaluation	246
<i>J.M. Moorhouse and G.T. McKee</i>	
Marketing and Artificial Intelligence: With Neural Net Market Segmentation Example	251
<i>J.E. Bowen</i>	
An Application of Artificial Neural Networks and Genetic Algorithms to Personnel Selection in the Financial Industry	257
<i>M.L. Gargano, R.A. Marose, and L. von Kleeck</i>	
Building a Banking System Specification Using Machine Learning	263
<i>J. Genest</i>	
Patenting Financial Software	269
<i>M. Lotvin and R. Nemes</i>	

Panel: Future AI Wall Street Applications

Chair: J. Diesem

Paper Session: Rating and Screening

Chair: A. Botta

A Computational Model of Bond Rating	272
<i>B.-O. Kim, S.M. Lee, J.Y. Cho, and M. Hunter</i>	
An Application of a Counter-Propagation Neural Network: Simulating the Standard & Poor's Corporate Bond Rating System	278
<i>S. Garavaglia</i>	

Applying Rule Induction to Stock Screening	288
<i>K.Y. Tam</i>	
Paper Session: Intelligent User Interfaces	
Chair: C. Apte	
Expert Systems in Spreadsheets: Modeling the Wall Street User Domain	296
<i>R.S. Freedman, R.P. Frail, F.T. Schneider, and B. Schnitta</i>	
Interval Constraint Spreadsheets for Financial Planning	302
<i>E. Hyvönen</i>	
Exploiting Hypertext Valuation Links for Business Decision Making: A Portfolio Management Illustration	312
<i>P. Balasubramanian, T. Isakowitz, R. Kauffman, and R. Madhavan</i>	
Author Index	327

AUTHOR INDEX

Addison, E.R.	9	Kurashima, H.	160
Balasubramanian, P.	312	Lai, F.	42
Baldassi, G.	122	Lee, S.M.	272
Barletta, R.	116	Lotvin, M.	269
Barr, D.S.	97	Lyons, P.J.	200
Benaroch, M.	140	Madhavan, R.	312
Berg-Cross, G.	188	Marose, R.A.	257
Beshinske, R.	128	Mayland, E.J.	64
Bowen, J.E.	30, 246	McKee, G.T.	246
Brown, C.A.	92	Melamed, A.	206
Buta, P.	116	Mesch, R.	92
Byrnes, E.	132	Miller, R.M.	226
Cadden, D.T.	52	Mizoguchi, F.	146
Chan, P.K.	79	Moody, J.	35
Chien, L.-H.	42	Moorhouse, J.M.	246
Cho, J.Y.	272	Nair, S.R.	135
Claudio, L.	188	Nealis, D.	132
Cortés-Rello, E.	238	Nemes, R.	269
Cox, E.	194	Nigam, R.	128
Davis, S.R.	220	Ohsie, D.	79
Dhar, V.	140	Ohwada, H.	146
Fillion, M.	168	Patel, T.M.	73
Fishman, M.B.	97	Persek, S.C.	200
Frail, R.P.	16, 296	Phelps, R.I.	109
Freedman, R.S.	16, 296	Pilote, M.	168
Garavaglia, S.	60, 278	Power, R.	122
Gardin, F.	122	Schneider, F.T.	296
Gargano, M.L.	257	Schnitta, B.	296
Genest, J.	263	Schwartz, D.G.	64
Glazier, J.	79	Short, R.S.	174
Golibersuch, D.C.	174	Slade, S.	232
Golshani, F.	238	Spence, S.R.	128
Guggenheimer, H.	58	Sterling, L.S.	64
Hamscher, W.	178	Still, D.D.	174
Harris, M.D.	23	Stolfo, S.J.	79
Hayes, P.J.	2	Tachibana, Y.	86
Heavner, E.	97	Tam, K.Y.	288
Holland, I.	92	Taylor, H.C.	122
Hunter, M.	272	Utans, J.	35
Hyvönen, E.	302	von Kleeck, L.	257
Ip, H.H.S.	152	Weinstein, S.P.	2
Isakowitz, T.	312	Williams, D.B.	174
Jang, G.-S.	42	Wong, H.-M.	152
Jiang, B.-W.	42	Woodbury, L.	79
Kaiser, G.E.	73	Wyle, M.F.	10
Kauffman, R.	312	Yamaba, S.	160
Kick, R.C.	214	Yamaguchi, T.	86
Kim, B.-O.	272	Yu, D.H.	103