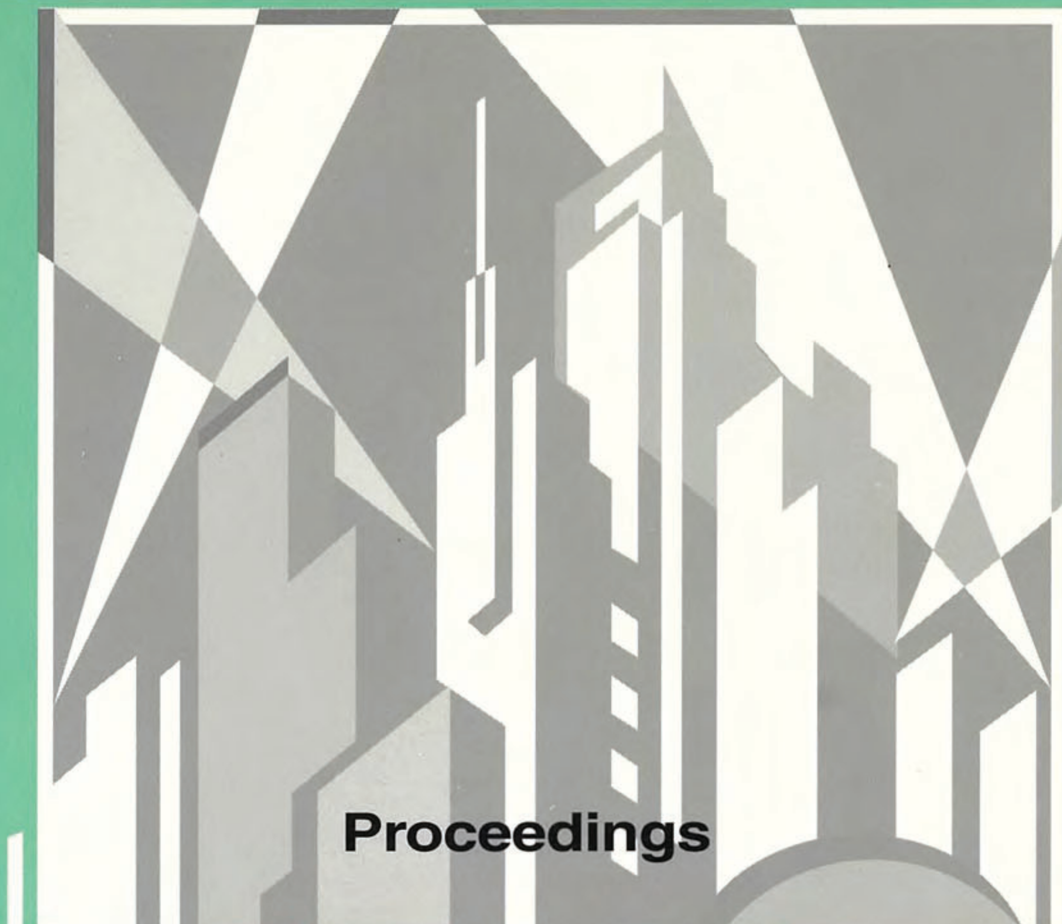
The Third International Conference on
Artificial Intelligence Applications on Wall Street
Tactical and Strategic Computing Technologies



Editor
Roy S. Freedman

June 6-9, 1995 • New York City

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Proceedings

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Chairman's Introduction

Ils disent queles éclipses présagent malheur, parce que les malheurs sont ordinaires, de sorte qu'il arrive si souvent du mal, qu'ils devinent souvent; au lieu que s'ils disaient qu'elles présagent bonheur, ils meutiraient souvent. Ils ne donnent le bonheur qu'à des rencontres du ciel rares; ainsi ils manquent peu souvent à deviner.

They say that eclipses predict bad luck. But bad luck is common, so that when bad things happen, they frequently predict it. On the other hand, if they would say that eclipses predict good luck, they would often be lying. They only attribute good luck to rare heavenly conjunctions; therefore they fail less often in prediction.

Blaise Pascal (1623-1662), Penseés, no. 173.

The *Third International Conference on Artificial Intelligence Applications on Wall Street* is organized to continue the momentum generated from the conferences held in 1991 and 1993. Our goal is to provide a serious international forum where the newest applications of knowledge-based technologies for trading, asset allocation, and regulation can be discussed and evaluated.

The last two years have emphasized the fact that we live in a world full of risk. In some sense, risk is a statistical description of danger — an attribute that rational beings seek to minimize. Predicting natural (earthquakes, hurricanes, famine), political (war, terrorism), and financial disasters are difficult, to say the least, unless one is as pessimistic as Pascal. His point is that since disasters happen so often, then on average, any indicator will predict one. On the other hand, a description of risk purely in terms of mathematical expectation is misleading, since this sense of risk replaces the risk of an individual with the risk of an average. This is what can get investors into trouble.

Over the past year, we have seen how the risks associated with currency devaluation, interest rate movements, and leverage in derivative markets led to near-disasters for some market participants investors, and governments. Some of these situations could have been avoided if the dangers associated with these instruments were made more comprehensible. I believe that one of the responsibilities of conferences like this is to help make financial risk understandable.

This conference could not have happened without the help of numerous people. I first want to acknowledge the support of this year's sponsor, the Pace University School of Computer Science and Information Systems, and in particular, Dean Susan Merritt and Professor David Sachs. Thanks to Susan Atwell of Pace for smoothly coordinating the paper submission and review process. I also want to acknowledge the help of the cooperating societies and supporting publications; our paper session and panel session chairs; our invited speakers; and of course, our international Program Committee, who did a thorough job in carefully reviewing the many submitted papers. Special thanks to Pat White of Systemsware Corporation, for her diligence in preparing for this international event and for publishing the quality Proceedings. At Inductive Solutions, I want to thank Marie De Luca and Stacy Pennebaker for their help in organizing the program.

Roy S. Freedman
Program Chairman — AI/WS-95
Inductive Solutions, Inc.
New York City. June, 1995

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