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The Newsletter of the EURO Working Group on Financial Modelling

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# ***NEWSFLOW***

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Number 27

Spring 2003

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## **Subscription**

Subscription is free for members of the EURO Working Group on Financial Modelling. See back cover for information on membership.

## **Invitation to readers**

Readers are invited to actively contribute to the newsletter. Examples are book reviews, announcements, opinions, lists of published papers, etc.

You can also find information about the Euro Working Group on the internet site  
<http://www.eur.nl/topics/finance/research/eurowgr.htm>

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## Editorial

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The coming Spring meeting of the Working Group will be the third to take place in London. It will also be the third to take place at Imperial College; the two predecessors having been in 1988 and 1991.

Since the two previous meetings in the UK, there have been many changes in finance. As well as developments in methodology, these include the ways in financial markets operate, the increasing convergence of markets and the growth of new instruments and financial products. As far as the Working Group's interests in modelling are concerned, developments in methodology are almost too numerous to list. Since the last meeting in London twelve years ago, exciting and powerful new methods for financial modelling have appeared. Some have stood the test of time. Others have enjoyed the now traditional fifteen minutes of fame and have then largely disappeared from view. For the forthcoming meeting, the programme contains the rich mixture of contributions that the group's members have come to expect. There are papers on theory and applications. The use and development of both new as well as familiar techniques figure among the papers to be presented.

To single out individual contributors to the meeting in an editorial is an invidious task. By the time this editorial appears the programme and speakers will be on the meeting website. It is sufficient to say here that those attending the meeting include many old friends and regular stalwarts of the group, as well as new faces. One of these is the meeting's keynote speaker, Steve Satchell. Professor Satchell's work will be well known to all those with an interest in financial modelling. At the date of writing, the title of the keynote address is not to hand. But, that scarcely matters for Steve speaks and writes with authority about many topics in finance.

London itself needs no introduction and late April is probably the best time of year to visit. The meeting will take place at Imperial's main campus in South Kensington. Accommodation nearby may be found on the Imperial College website:

<http://www.imperialcollege-conferencelink.com>

as well as on any of numerous commercial websites. As well as accommodation, the area is well served by restaurants, bars and pubs. And for those who regard English cooking as a joke: the last decade has seen enormous growth in the quality and scope of places of eat and drink!

For would-be tourists, there are many attractions within an easy walk on the conference: the Natural History, Science and Victoria and Albert Museums to name but three. For music lovers, there are performances at the Royal Albert Hall and just beyond it lies Hyde Park. For walkers and runners what could be better than an early morning excursion round Hyde Park in the spring!

South Ken. is well served by the Circle and District tube line – stations close by at South Kensington and Gloucester Road, as well as Kensington High Street. Not perhaps noted by Londoners for its reliability or frequency of service, the Circle Line is usually quite near the surface and thus provides a non-claustrophobic means of transport to familiar landmarks as well as many new developments. Since the previous meetings in London, the new financial centre at Canary wharf has grown and matured and is well worth a visit. The South Bank of the Thames, home of the still new Tate Modern Gallery, is accessible from Blackfriars via the Millennium footbridge. Take the Docklands light railways from Monument to Canary Wharf and then on to Island Gardens. From there, it is a short walk under the Thames to Greenwich, home of the infamous Dome, the National Maritime Museum, the Greenwich Meridian and the Royal Observatory.

It would be tempting to say more about the delights of being a visitor to London and of the things to see and do. However, our main purpose of course is the meeting of the group. We look forward to seeing you on 24th April.

Chris Adcock  
University of Sheffield

Nigel Meade  
Imperial College

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## Call for papers EJOR

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Thusfar, the European Journal of Operational Research has published a number of special issues on Financial Modelling:

Issue 74/2, edited by T. Martikainen, I Virtanen and P. Yli-Olli;

Issue 91/2, edited by E. Castagnoli and J. Spronk. In 1998, the European Journal of Operational Research together with the EURO Working Group on Financial Modelling decided to start a more regular series of feature issues.

A feature issue on financial modelling is an issue of EJOR partly or wholly devoted to financial modelling. The intended frequency of these feature issues on financial modelling is once or twice per year.

Papers on financial modelling are solicited that help to solve financial-economic decision problems in practice. Papers may relate to new insights, both theoretical and empirical, into the environment in which decision makers operate, new tools available to the decision makers and to the integration of these tools within frameworks for financial-economic decision making. Papers that stimulate and strengthen the interaction between financial economic theory and the practice of financial decision making, will be especially welcome.

The first feature issue was published as Issue Volume 114, Number 2, April 16, 1999, and edited by J. Spronk. This was followed by a stream of issues, some of which have been published and the others will follow soon.

Authors who want to submit to the upcoming feature issue are kindly invited to submit four copies of their paper to the Guest Editor Financial Modelling:

Nico van der Wijst  
The Norwegian University of Science & Techn.  
Dept. of Managerial Economics &  
Techn. Management

Alfred Getz vei 1  
N-7034 Trondheim  
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Tel. + 47.73.597712  
Fax + 47.73.593603  
E-mail: [Wijst@iot.ntnu.no](mailto:Wijst@iot.ntnu.no)

With respect to format and other requirements of submitted work, the authors are kindly referred to the Instructions to Authors, that can be found in every issue of EJOR. For the feature papers there is a separate board of editors, consisting of

**Wolfgang Bühler**, University of Mannheim, Germany

**Erio A. Castagnoli**, Università Luigi Bocconi, Italy

**Michael A.H. Dempster**, University of Cambridge, UK

**Winfried G. Hallerbach**, Erasmus University Rotterdam, The Netherlands

**L. Peter Jennergren**, Stockholm School of Economics, Sweden

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**Lorenzo Peccati**, Università Luigi Bocconi, Milano, Italy

**Matti Viren**, University of Turku, Finland

**Stavros A. Zenios**, University of Cyprus, Cyprus

**William T. Ziemba**, University of British Columbia, Canada

**Constantin Zopounidis**, Technical University of Crete, Greece

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## London 24-26 April 2003

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### Program

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The Program of this meeting and other information can be found on the internet site:

<http://www.shef.ac.uk/~mcn/adcock/index.html>

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### Information

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This meeting is organized by:

**Chris Adcock and Nigel Meade**

For further information please contact:

**Chris Adcock**  
**The University of Sheffield**  
**Department of Economics**  
**Mappin Street**  
**Sheffield, S1 34DT**  
**UNITED KINGDOM**  
**Tel. + 44-114-2223402**  
**Fax. + 44-20-84020755**  
**Email: [c.j.adcock@sheffield.ac.uk](mailto:c.j.adcock@sheffield.ac.uk)**

More information about this meeting can be found on the internet site

<http://www.shef.ac.uk/~mcn/adcock/index.html>

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## Next meeting(s)

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The Spring 2004 meeting will probably be held in Paris.

Offers to organise the Autumn 2004 meeting, or one of the future meetings, are welcome.

For more information about organising a meeting, please contact Jaap Spronk ([spronk@few.eur.nl](mailto:spronk@few.eur.nl)) or H el ene Molenaar ([molenaar@few.eur.nl](mailto:molenaar@few.eur.nl))

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## 33<sup>nd</sup> EWG Meeting

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The 32<sup>nd</sup> meeting will be held in Monaco, from October 16-18, 2003

*or*

November 6-8, 2003

The exact date will be announced as soon as possible.

This meeting will be organized by:

**Lars Christian Smith**

For further information please contact the organizing committee at:

**Email: [lsmith@monaco.edu](mailto:lsmith@monaco.edu)**

More information about this meeting can be found on the internet site, which is being set up at the moment. It will be regularly updated as information becomes available. Calls for papers, venue information, registration instructions, etc. will be posted on this webpage.

As soon as this website is available, it will be announced on:

<http://www.eur.nl/topics/finance/research/euowgr.htm>

so please check this site on a regular basis.

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## News

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The first EURO/INFORMS joint International Meeting of the new millenium will be in:

**ISTANBUL**

**July 6-10, 2003**

For more information you can visit the website:

[www.istanbul2003.org](http://www.istanbul2003.org)

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## Working Papers

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You can find publications of the Erasmus Research Institute of Management (ERIM) on the following website:

<http://www.fbk.eur.nl/ERIM>

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## Announcement ORIJ

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Dear Colleagues,

Considering the opportunity of undertaking the position of Editor of the Operational Research: An International Journal (ORIJ), the official journal of the Hellenic Operational Research Society, I would like to inform you that it would be my pleasure to consider your papers for possible publication in our journal.

During the three years of its publication, ORIJ has focused on the publication of high quality scientific papers, that contribute significantly to the fields of operational research and management science (OR/MS). The papers published in ORIJ may cover all aspects of OR as well as its interaction with other relevant disciplines such as information technology. The papers may involve new theoretical insights and developments as well as real-world case studies illustrating the implementation of OR approaches in practice. Overview papers can also be considered from eminent scientists in significant fields of OR/MS that review the state-of-the-art in these fields.

Young scientists working in OR/MS are strongly encouraged to submit their work for publication in the journal.

Authors interested in paper submission should send their papers in electronic form via e-mail at [eeee@otenet.gr](mailto:eeee@otenet.gr).

Four hardcopies should also be posted at the address: Hellenic Operational Research Society, ORIJ Editorial Secretary, 20 Solomou str., GR-10682 Athens, Greece.

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## Working Papers

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From the *Rotterdam Institute for Business Economic Studies (RIBES)*, Erasmus University Rotterdam, Room H15-28, P.O. Box 1738, 3000 DR Rotterdam, The Netherlands, the following papers can be ordered:

- 9707/F Post, Th. and J. Spronk, Bank performance bench-marking in stochastic environments using log-linear mean-variance data envelopment analysis.
- 9711/F Groenendijk, A.A. and J. Spronk, Portfolio performance through the eyes of monkeys.
- 9713/F Spronk, J. and E.M. Vermeulen, Interfirm performance evaluation under uncertainty.
- 9719/F Meulen, J. van der and J. van der Voort, Er valt wat te zeggen voor passief beleggen.
- 9721 Post, G.T., Transconcave Data Envelopment Analysis
- 9822 Kouwenberg, R., Dynamic Portfolio Insurance: A Stochastic Programming Approach
- 9824 Soppe, A., Capital, Interest and Ethics: Some Empirical Explorations of an Ethical Approach of economic growth
- 9847 Post, G.T., Estimating non-convex production sets using transconcave DEA
- 9905 Post, G.T., Nonparametric efficiency estimation in stochastic environments
- 9911 Kuosmanen, T. and G.T. Post, Robust Efficiency Measurement. Dealing with outliers in Data Envelopment Analysis
- 9913 Hallerbach, W.G. and J. Spronk, A Multicriteria Framework for Risk Analysis
- 9922 Spronk, J. and W.G. Hallerbach, Het "redelijk rendement" voor ondernemingsactiviteiten vanuit financieel-economisch perspectief
- 9933 Post, G.T. and J. Spronk, Evaluating productive performance under uncertainty
- 9934 Kuosmanen, T. and G.T. Post, Measuring economic efficiency with incomplete price information.

From the *Erasmus Center for Financial Research (ECFR)*, Erasmus University Rotterdam, Room H11-01, P.O. Box 1738, 3000 DR Rotterdam, The Netherlands, the following papers can be ordered:

For more information:

<http://www.few.eur.nl/few/research/ecfr/publications/>

- 2001/1 Winfried G. Hallerbach, Enhanced Bond Return Approximations: Using Duration, Convexity and Quasi-Convexity.
- 2001/2 Pieter Bouwknegt and Antoon Pelsser, Market Value of Insurance Contracts with Profit Sharing.
- 2001/3 Frank de Jong, Joost Driessen and Antoon Pelsser, Libor Market Models versus Swap Market Models for Pricing Interest Rate Derivatives: An Empirical Analysis.
- 2001/4 Antoon Pelsser, Mathematical Foundation of Convexity Correction
- 2001/5 Thierry Post, Stochastic Dominance in Case of Portfolio Diversification: Linear-Programming Tests.
- 2001/6 Albert J. Menkveld, Splitting Orders in Fragmented Markets, Evidence from Cross-Listed Stocks.
- 2001/7 Reimer Beder and Ton Vorst, Options on Dividend Paying Stocks.
- 2001/8 Chris Veld and Yulia V. Veld-Merkoulova, Do Spin-Offs Really Create Value? The European Case.
- 2001/9 Namwon Hyung and Casper G. de Vries, Portfolio Diversification Effects and Regular Variation in Financial Data.
- 2001/10 Jón Danielson, Bjørn N. Jorgensen, Casper G. de Vries and Xiaoguang Yang, Optimal Portfolio Allocation under a Probabilistic Risk Constraint and the Incentives for Financial Innovation
- 2001/11 P. Hartmann, S. Straetmans, C.G. de Vries, Asset Market Linkages in Crisis Periods

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# EURO Working Group on Financial Modelling

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The EURO Working Group on Financial Modelling was founded in September 1986 in Lisbon. The primary field of interest for the Working Group can be described as “financial models that help to solve problems faced by financial decision makers in the firm, intermediaries and the investment community. From this the following objectives of the Working Group are distinguished:

- providing an international forum for exchange of information and experience on financial modelling;
- encouraging research in financial modelling (new techniques, methodologies, empirical studies, software, etc.);
- stimulating and strengthening the interaction between financial economic theory and the practice of financial decision making;
- cooperating and exchanging information with other universities and financial institutions throughout Europe.

It can be stated safely that the Working Group has become an established one. To give an idea: over 400 members, 30 international meetings and an own newsletter (*NEWSFLOW*) are three examples of the success until now.

## *Meetings*

The meetings of the Working Group are organized twice a year, in April/May and in October/November. Earlier meetings were held in Belgium, Curaçao, Cyprus, Finland, France, Hungary, Italy, Lithuania, the Netherlands, United Kingdom, Germany, Greece, Croatia, Poland and Spain. There are now members in 34 countries spread over 4 continents. The meetings are attended by 80-100 members on average, most of them scientists but also representatives from the financial institutions, and are usually organized on Thursday, Friday and Saturday morning. The organizers are expected to schedule three types of sessions: a round table session with invited speaker(s), regular sessions with the presentation of refereed papers and balloon sessions in which unrefereed papers, new topics and ‘loose’ ideas can be discussed.

## *Newsletter*

*NEWSFLOW*, the newsletter of the Working Group is published twice a year, about one month before each meeting. Newsflow is also published on the internet site <http://www.eur.nl/topics/finance/research/eurowgr.htm>

It contains general information about the Working Group and the next meeting(s), letters from readers, announcements of financial seminars, calls for papers, a list of working papers, etc. For information about *NEWSFLOW* or for publication of your contributions please contact the editor: Hélène Molenaar, address below.

## *Membership*

For information about membership of the EURO Working Group on Financial Modelling, you may write to:

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