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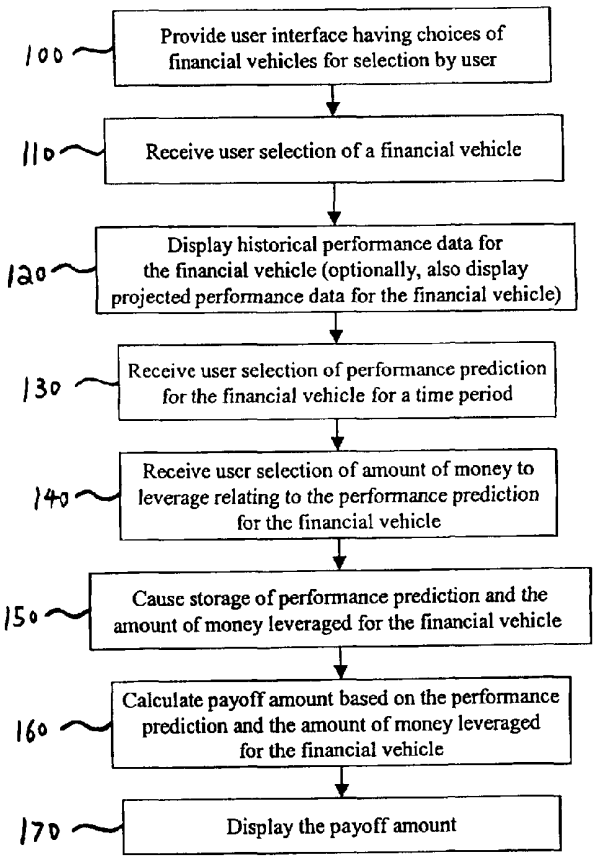
(54) Title: USER-INTERACTIVE FINANCIAL VEHICLE PERFORMANCE PREDICTION, TRADING AND TRAINING SYSTEM AND METHODS



(57) Abstract: Methods and system for allowing a user, through a computer in telecommunication link with a system having access to financial and market data, to predict the performance of a financial vehicle and thereby provide training for trading options or evaluating predictions are provided. One method includes providing a user interface, via the computer, which allows the user to specify a financial vehicle; displaying, via the user interface, historical performance data for the financial vehicle specified by the user, displaying, via the user interface, projected performance data for the financial vehicle; receiving from the user, via the user interface, performance prediction for the financial vehicle for a time period; receiving from the user, via the user interface, amount of money to leverage relating to the performance prediction for the financial vehicle for the time period; storing the performance prediction for the financial vehicle and the amount of money leveraged; calculating payoff amount based on the performance prediction for the financial vehicle and the amount of money leveraged; and displaying, via the user interface, the calculated payoff amount.

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USER-INTERACTIVE FINANCIAL VEHICLE PERFORMANCE PREDICTION, TRADING AND TRAINING SYSTEM AND METHODS

Related U.S. Application Data

This application claims priority from a provisional U.S. Patent Application, Serial No. 60/236,259, filed on September 28, 2000, and regular U.S. Patent Application Serial No. TBA, filed on September 24, 2001, both of which are incorporated herein by reference.

Background Of The Invention

Along with the surging popularity of the Internet, there has been a corresponding surge in the usage of the Internet by individuals for online investment education, research and transactions. As noted in the popular media, millions of individuals, via the Internet, conduct online investment transactions, most of which involve buying and selling of stocks. According to the Wall Street Journal, for example, 3.7 million U.S. households conducted at least one online investment transaction for the six months ended February, 2001, which was actually an 18% decrease from the 4.5 million U.S. households which conducted at least one online investment transaction for the six months ended August, 2000. *"Online Traders Disappear, But Perhaps Not For Good"*, The Wall Street Journal, March 28, 2001.

While online stock trading has proliferated, online options transactions have only increased incrementally. The primary reason for this appears to be a lack of understanding among investors about what options are and how they can become a meaningful part of one's investment strategy.

In broad terms, options allow an investor with a hunch about the direction of a security's price to try to profit from that hunch without having to lay out the full amount it would cost to purchase the security. For example, a call option gives its holder the right but not the obligation to purchase a security (e.g., stock) at a preselected price (i.e., the "strike price") by a preselected date. An investor typically buys a call option if he believes that the value of the security will increase by the preselected date. By contrast, a put option gives its holder the right but not the

obligation to sell a security at a preselected price by a preselected date. An investor typically buys a put option if he believes that the value of the security will decrease by the preselected date.

A call option is "in the money" when the strike price is below the price of the security. For example, a call option with a strike price of $50 per share for XYZ Company's stock is in the money when XYZ Company's stock price is trading at $58 per share. A put option is "in the money" when the strike price is above the price of the security. For example, a put option with a strike price of $56 per share for XYZ Company's stock is in the money when XYZ Company's stock price is trading at $49 per share.

Generally, a binary option, also known as all-or-nothing option, bet option, digital option or lottery option, is a European option with a fixed, predetermined payoff if the underlying instrument or index is at or beyond the strike price at expiration. The value of the payoff is not affected by the magnitude of the difference between the underlying instrument or index and the strike price. The strike price is the price at which the options contract stipulates the underlying instrument or index will be bought or sold. A European style option is one which can only be exercised on its expiration date. By contrast, an American style option is an option which the holder may exercise any time up to and including the option's expiration date.

There are two types of binary options, a cash-or-nothing and asset-or-nothing options. A holder of a cash-or-nothing binary option receives a fixed payoff if the option expires in the money or nothing if the option expires out of the money. A holder of an asset-or-nothing binary option receives the underlying asset if the option expires in the money or nothing if the option expires out of the money.

A range accumulation option or warrant is a series of binary options with each option covering a short period. The payoff of the range accumulation option is the sum of the payoffs of the component binary options. The component options, in turn, payoff when the underlying price or rate falls within a designated range. Range accumulation options may be stand-alone instruments, but they are frequently embedded in notes to create Index Range Notes or LIBOR Range Notes.

An Index Range Note is a note with a coupon determined largely or entirely by an embedded range accumulation option. Equity indexes, currency exchange rates and interest rates are among the underlying indexes, prices or rates that can determine the payoff. LIBOR (i.e., London Inter-Bank Offered Rate) Range Notes are the most common variety of Index Range Notes.

As the above descriptions relating to options demonstrates, especially the descriptions relating to binary options and range accumulation options, educating an investor about options is no easy task. This difficulty is also faced by financial institutions, such as the assignee of the present patent application, as they try to educate their employees concerning options and to determine who, among their employees, may have the skills necessary to make good options transactions.

What is desired, therefore, is an interactive technological system and method that facilitates learning about and trading options by allowing a user to predict performance of a financial vehicle and that also helps a financial institution to objectively determine which employees may have the skills necessary to make good options transactions.

Summary Of The Invention

The objects of the invention are achieved by methods and system for allowing a user, through a computer in telecommunication link with a system having access to financial and market data, to predict the performance of a financial vehicle and thereby provide training for trading options or evaluating predictions. One method includes providing a user interface, via the computer, which allows the user to specify a financial vehicle; displaying, via the user interface, historical performance data for the financial vehicle specified by the user; displaying, via the user interface, projected performance data for the financial vehicle; receiving from the user, via the user interface, performance prediction for the financial vehicle for a time period; receiving from the user, via the user interface, amount of money to leverage relating to the performance prediction for the financial vehicle for the time period; storing the performance prediction for the financial vehicle and the amount of money leveraged;

calculating payoff amount based on the performance prediction for the financial vehicle and the amount of money leveraged; and displaying, via the user interface, the calculated payoff amount.

Brief Description Of The Drawings

FIG. 1 shows an embodiment of a user-interactive financial vehicle performance prediction system of the present invention;

FIG. 2 shows an operation flowchart of the user-interactive financial vehicle performance prediction system of **FIG. 1**; and

FIG. 3 shows an embodiment of a user interface provided by the system of **FIG. 1**.

Detailed Description Of The Preferred Embodiment

Figure 1 shows an embodiment of a user-interactive financial vehicle performance prediction system 10 of the present invention. The system 10 is in telecommunication link 22 with a first user computer 20 and in telecommunication link 32 with a second user computer 30. The telecommunication links 22, 32 may be over a local area network ("LAN") or an Internet connection using a public switched telephone network or a cable network. Connections may also be provided by dedicated data lines, cellular, Personal Communication Systems ("PCS"), microwave, satellite networks, or other data transmission means known in the art. While FIG. 1 shows the first and second user computers 20, 30 separately linked to the system 10, it should be apparent to one of ordinary skill in the art that if the first and second user computers are part of the same LAN or the like, then both user computers can be linked to the system 10 by a common telecommunication link. It should also be apparent to one of ordinary skill in the art that while FIG. 1 shows two user computers linked to the system 10 of the present invention, the system is designed to work with one or more user computers.

The user-interactive financial vehicle performance prediction system 10 includes a system computer 12. A storage unit, such as a database 40, which stores

financial and market data is electronically connected to the system 10. As will be described in greater detail below, software codes 14 executing on a microprocessor (not shown) of the system computer 12 provide a user interface to the user computers 20, 30 through which users can select a financial vehicle. As used herein, the term "financial vehicle" includes, but is not limited to, stocks, foreign exchange rates, interest rates, market indices, government obligation rates, and corporate bond rates. Providing a user interface to a user computer, which user interface has choices of financial vehicles for selection by a user is shown at step 100 of Figure 2.

FIG. 2 is a flowchart showing the operation of the user-interactive financial vehicle performance prediction system 10 of FIG. 1. At step 110, the system receives user selection of a financial vehicle. For example, the system 10 may receive the selection of the Dow Jones Industrial Average ("DJIA") index as the financial vehicle from user 1's computer 20 over the telecommunication link 22. At step 120, the system causes to be displayed on the user interface historical performance data for the financial vehicle. The time period spanning the historical performance data is preferably user selectable via the user interface. For example, after selecting the DJIA as the financial vehicle, user 1 may select to view the performance of the DJIA over the last 12 months.

At step 130, the system receives user selection of performance prediction for the financial vehicle for a time period. Preferably, the time period for the performance prediction is user selectable via the user interface. Also, the performance prediction for the financial vehicle may be a range of values, rather than one value. Using the example above, the system 10 may receive from user 1's computer 20 the prediction that on the third Friday of July, 2001, the DJIA will be in the range of 10900 and 11000. By contrast, the system 10 may receive from user 2's computer 30 the prediction that at the end of December, 2001, the DJIA will be trading at 11300.

At step 140, the system receives user selection of amount of money to leverage relating to the performance prediction for the financial vehicle. Returning to the DJIA example above, user 1 may choose to invest $1000 for his prediction that on the third Friday of July, 2001, the DJIA will be in the range of 10900 and 11000.

Both the performance prediction and the amount of money leveraged for the financial vehicle received from the user is caused to be stored by the system. This is shown as step 150. At step 160, the system calculates a payoff amount based on the performance prediction and the amount of money leveraged for the financial vehicle. For the DJIA example used above, the system 10 may review the options contracts expiring in July, 2001 to set a payoff amount for user 1's $1000 "bet" that the DJIA will end in the range of 10900 and 11000 on the third Friday of July, 2001. This calculated payoff amount is displayed on the user interface at step 170.

While FIG. 2 shows a user predicting the performance of a financial vehicle for a time period, it should be apparent to one of ordinary skill in the art that the same user may predict the performance of a financial vehicle for a plurality of time periods. Also, it should be apparent to one of ordinary skill in the art that the same user may predict the performance of a plurality of financial vehicles.

Referring to Figure 3, there is shown one embodiment of the user interface provided by the user-interactive financial vehicle performance prediction system 10 of FIG. 1. The user interface 200 has selectable tabs 210, 212, 214, with each tab corresponding to a category of a financial vehicle. In the embodiment of FIG. 3, tab 210 corresponds to stocks, tab 212 corresponds to market indexes, and tab 214 corresponds to foreign exchange rates/commodities. While FIG. 3 shows three such tabs, it should be apparent to one of ordinary skill in the art that additional tabs corresponding to other categories of financial vehicles may also be included in the user interface 200. Also, the user interface may only have one tab is so desired, without departing from the scope or objects of the present invention.

A pull-down interactive element 220 is shown in FIG. 3. In the exemplary embodiment, this pull-down interactive element 220 allows the user to select a specific financial vehicle from the selected category of financial vehicles. FIG. 3 shows as an example the selection by the user of the foreign exchange/commodities tab 214, and within this category of financial vehicles, the selection of the exchange rate of Japanese yen to the United States dollar. It should be apparent to one of ordinary skill in the art that while the embodiment of FIG. 3 shows the use of tabs and

pull-down interactive element, other ways for a user to select a specific financial vehicle can be utilized without departing from the scope or objects of the invention.

The user interface 200 also includes a first window 230 which displays historical performance data for the financial vehicle selected by the user, as well as projected performance data for the financial vehicle. The vertical axis of the first window shows the values for the selected financial vehicle. The horizontal axis of the first window serves as the time line. There is shown a line separator 232 within the first window 230, which separates the historical performance data (left of the line 232) from the projected performance data (right of the line 232). In the Japanese yen-U.S. dollar exchange rate example shown in FIG. 3, the preceding one-year historical performance data is shown. Note that the time period spanning the historical performance data may be user selected.

The projected performance data for the financial vehicle is displayed as a distribution curve in the user interface 200. This distribution curve may be derived from, for example, call and put options contracts for the financial vehicle, projections of members of the financial community studying the financial vehicle, mathematical formulation based on the historical performance of the financial vehicle, etc. Note that the time period of display for the projected performance data may be user selected.

A second window 240 of the user interface displays the components making up the distribution curve of the projected performance data for the financial vehicle. A first user selectable element, shown as a sliding arrow 242 in FIG. 3, allows the user to select a time period of a performance prediction for the financial vehicle. A second user selectable element, shown as a sliding arrow 244, allows the user to select an upper range value of the performance prediction for the time period. A third user selectable element, shown as a sliding arrow 246, allows the user to select a lower range value of the performance prediction for the time period. Note that in the embodiment of FIG. 3, the user can specify a value, rather than a range, by selecting the same value with the second and third user selectable elements 244, 246.

Three boxes 250, 252, 254 are shown in the user interface 200. Box 250 allows the user to invest a user selectable amount of money for performance

prediction values of the financial vehicle above the upper range value selected by the user with the sliding arrow 244. Box 252 allows the user to invest a user selectable amount of money for performance prediction values of the financial vehicle within the upper and lower range values selected by the user with the sliding arrows 244, 246. Box 254 allows the user to invest a user selectable amount of money for performance prediction values of the financial vehicle below the lower range value selected by the user with the sliding arrow 246.

After the user has specified the amount of money to allocate for the performance prediction, the software codes 14 of the system 10 (see FIG. 1) calculate payoff amount. After the payoff amount is calculated, it is shown in the appropriate box 250, 252, 254.

Those skilled in the art will recognize that the methods and system of the present invention are not limited to the representative examples disclosed herein. Moreover, the scope of the present invention covers conventionally known variations and modifications to the methods and system components described herein, as would be known by those skilled in the art.

What is claimed is:

1. A method for allowing a user, through a computer in telecommunication link with a system having access to financial and market data, to predict the performance of a financial vehicle and thereby provide training for trading options or evaluating predictions, which comprises:

providing a user interface, via the computer, which allows the user to specify a financial vehicle;

displaying, via the user interface, historical performance data for the financial vehicle specified by the user;

displaying, via the user interface, projected performance data for the financial vehicle;

receiving from the user, via the user interface, performance prediction for the financial vehicle for a time period;

receiving from the user, via the user interface, amount of money to leverage relating to the performance prediction for the financial vehicle for the time period;

storing the performance prediction for the financial vehicle and the amount of money leveraged;

calculating payoff amount based on the performance prediction for the financial vehicle and the amount of money leveraged; and

displaying, via the user interface, the calculated payoff amount.

2. The method of claim 1, wherein the time period of the performance prediction for the financial vehicle received from the user is user selectable via the user interface.

3. The method of claim 1, wherein the financial vehicle is a stock.

4. The method of claim 1, wherein the financial vehicle is a foreign exchange rate.

5. The method of claim 1, wherein the financial vehicle is an interest rate.

6. The method of claim 1, wherein the financial vehicle is a market index.

7. The method of claim 1, wherein the financial vehicle is a government obligation rate.

8. The method of claim 1, wherein the financial vehicle is a corporate bond rate.

9. The method of claim 1, wherein the historical performance data for the financial vehicle is displayed for a time period selectable by the user via the user interface.

10. The method of claim 1, wherein the projected performance data for the financial vehicle is displayed as a distribution curve.

11. The method of claim 1, wherein the projected performance data for the financial vehicle is displayed for a time period selectable by the user via the user interface.

12. The method of claim 1, wherein the projected performance data for the financial vehicle is based on call and put options contracts for the financial vehicle.

13. The method of claim 1, wherein the projected performance data for the financial vehicle is based on statistical analyses of the historical performance data for the financial vehicle.

14. The method of claim 1, wherein the projected performance data for the financial vehicle is based on projections of members of the financial community studying the financial vehicle.

15. The method of claim 1, wherein the performance prediction for the financial vehicle received from the user comprises a range of values.

16. In a system having access to financial and market data, the system being in telecommunication link with at least one user computer, a method for allowing a user of a user computer to predict the performance of a financial vehicle and thereby provide training for trading options and evaluating predictions, which comprises:

providing a user interface, via the user computer, having a first user selectable element and a second user selectable element;

receiving from the user, via the user interface, selection of a financial vehicle;

displaying, via the user interface, historical performance data for the financial vehicle selected by the user;

allowing the user, via the first user selectable element, to specify a time period for predicting the performance of the financial vehicle;

allowing a user, via the second user selectable element, to specify performance prediction of the financial vehicle for the time period;

receiving from the user, via the user interface, amount of money to leverage relating to the performance prediction of the financial vehicle for the time period;

causing storage of the performance prediction for the financial vehicle and the amount of money leveraged;

calculating payoff amount based on the performance prediction for the financial vehicle and the amount of money leveraged; and

displaying, via the user interface, the calculated payoff amount.

17. The method of claim 16, wherein the financial vehicle is a stock.

18. The method of claim 16, wherein the financial vehicle is a foreign exchange rate.

19. The method of claim 16, wherein the financial vehicle is a market index.

20. The method of claim 16, wherein the financial vehicle is a government obligation rate.

21. The method of claim 16, wherein the historical performance data for the financial vehicle is displayed form a time period selectable by the user via the user interface.

22. The method of claim 16, which further comprises displaying, via the user interface, projected performance data for the financial vehicle.

23. The method of claim 22, wherein the projected performance data for the financial vehicle is displayed as a distribution curve.

24. The method of claim 22, wherein the projected performance data for the financial vehicle is displayed for a time period selectable by the user via the user interface.

25. The method of claim 22, wherein the projected performance data for the financial vehicle is based on call and put options contracts for the financial vehicle.

26. The method of claim 22, wherein the projected performance data for the financial vehicle is based on statistical analyses of the historical performance data for the financial vehicle.

27. The method of claim 22, wherein the projected performance data for the financial vehicle is based on projections of members of the financial community studying the financial vehicle.

28. The method of claim 16, wherein the performance prediction for the financial vehicle specified by the user comprises a range of values.

29. A user-interactive system for allowing a user, through a computer in telecommunication link with the system, to predict the performance of a financial vehicle and thereby provide training for trading options or evaluating predictions, the system having electronic access to financial and market data and comprising:

a system computer having a microprocessor, the system computer providing a user interface to the user computer through which the user can specify a financial vehicle;

a first set of software codes executing on the microprocessor, the first set of software codes causing the user interface to display historical performance data for the financial vehicle specified by the user;

a second set of software codes executing on the microprocessor, the second set of software codes causing storage of performance prediction for the financial vehicle received from the user via the user interface;

the second set of software codes also causing storage of amount of money to leverage received from the user via the user interface, the amount of money to leverage relating to the performance prediction for the financial vehicle; and

a third set of software codes executing on the microprocessor, the third set of software codes calculating payoff amount based on the performance prediction for the

financial vehicle and the amount of money leveraged, and displaying the payoff amount on the user interface.

30. The system of claim 29, wherein the first set of software codes and the second set of software codes are part of the same set of software codes.

31. The system of claim 29, wherein the second set of software codes and the third set of software codes are part of the same set of software codes.

32. The system of claim 29, wherein the first, second and third sets of software codes are part of the same set of software codes.

33. The system of claim 29, wherein the first set of software codes also causes the user interface to display projected performance data for the financial vehicle.

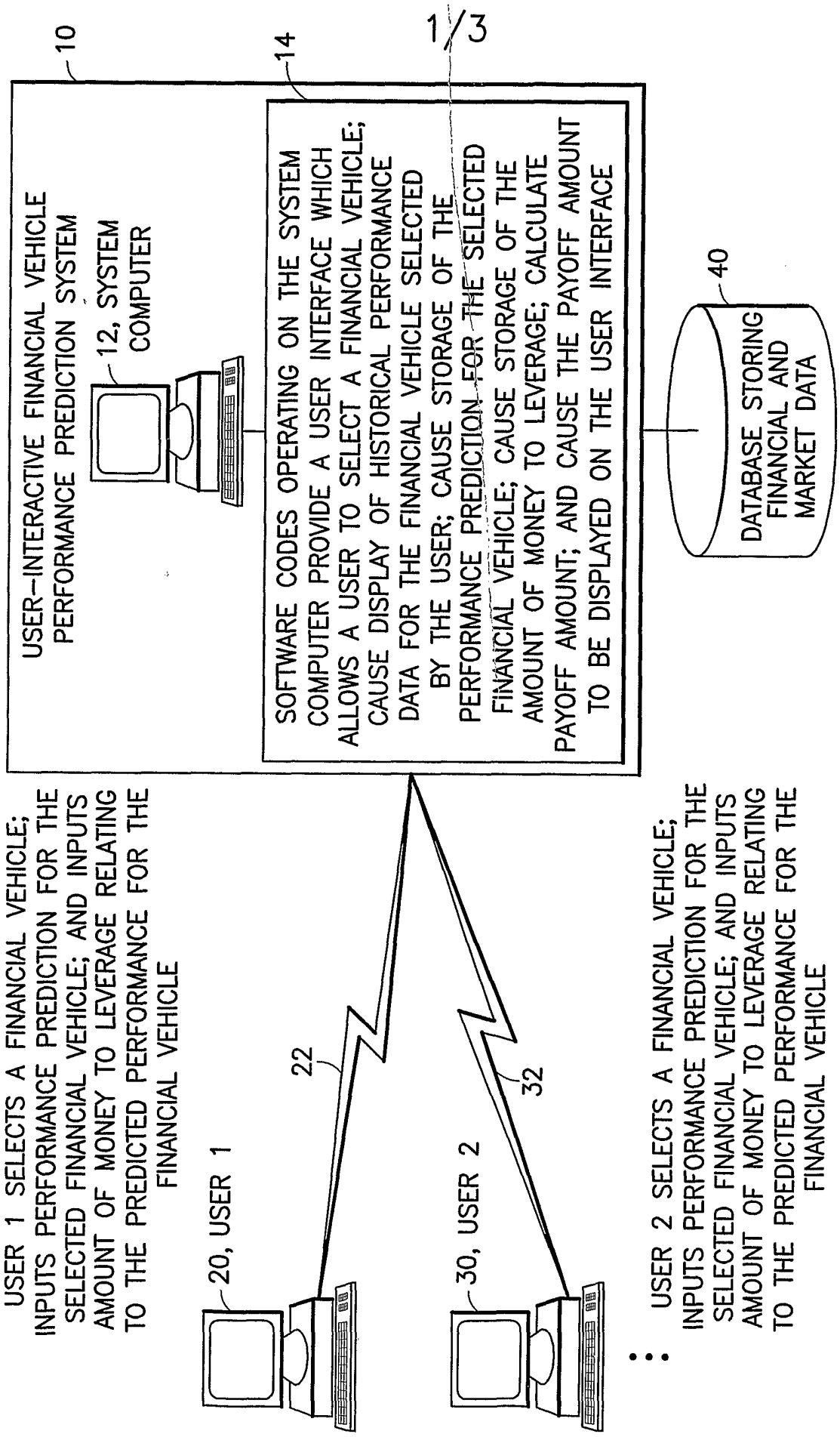
10
USER-INTERACTIVE FINANCIAL VEHICLE PERFORMANCE PREDICTION SYSTEM
12, SYSTEM COMPUTER
14
SOFTWARE CODES OPERATING ON THE SYSTEM COMPUTER PROVIDE A USER INTERFACE WHICH ALLOWS A USER TO SELECT A FINANCIAL VEHICLE; CAUSE DISPLAY OF HISTORICAL PERFORMANCE DATA FOR THE FINANCIAL VEHICLE SELECTED BY THE USER; CAUSE STORAGE OF THE PERFORMANCE PREDICTION FOR THE SELECTED FINANCIAL VEHICLE; CAUSE STORAGE OF THE AMOUNT OF MONEY TO LEVERAGE; CALCULATE PAYOFF AMOUNT; AND CAUSE THE PAYOFF AMOUNT TO BE DISPLAYED ON THE USER INTERFACE
40
DATABASE STORING FINANCIAL AND MARKET DATA
22
32
20, USER 1
30, USER 2
USER 1 SELECTS A FINANCIAL VEHICLE; INPUTS PERFORMANCE PREDICTION FOR THE SELECTED FINANCIAL VEHICLE; AND INPUTS AMOUNT OF MONEY TO LEVERAGE RELATING TO THE PREDICTED PERFORMANCE FOR THE FINANCIAL VEHICLE
USER 2 SELECTS A FINANCIAL VEHICLE; INPUTS PERFORMANCE PREDICTION FOR THE SELECTED FINANCIAL VEHICLE; AND INPUTS AMOUNT OF MONEY TO LEVERAGE RELATING TO THE PREDICTED PERFORMANCE FOR THE FINANCIAL VEHICLE

FIG. 1

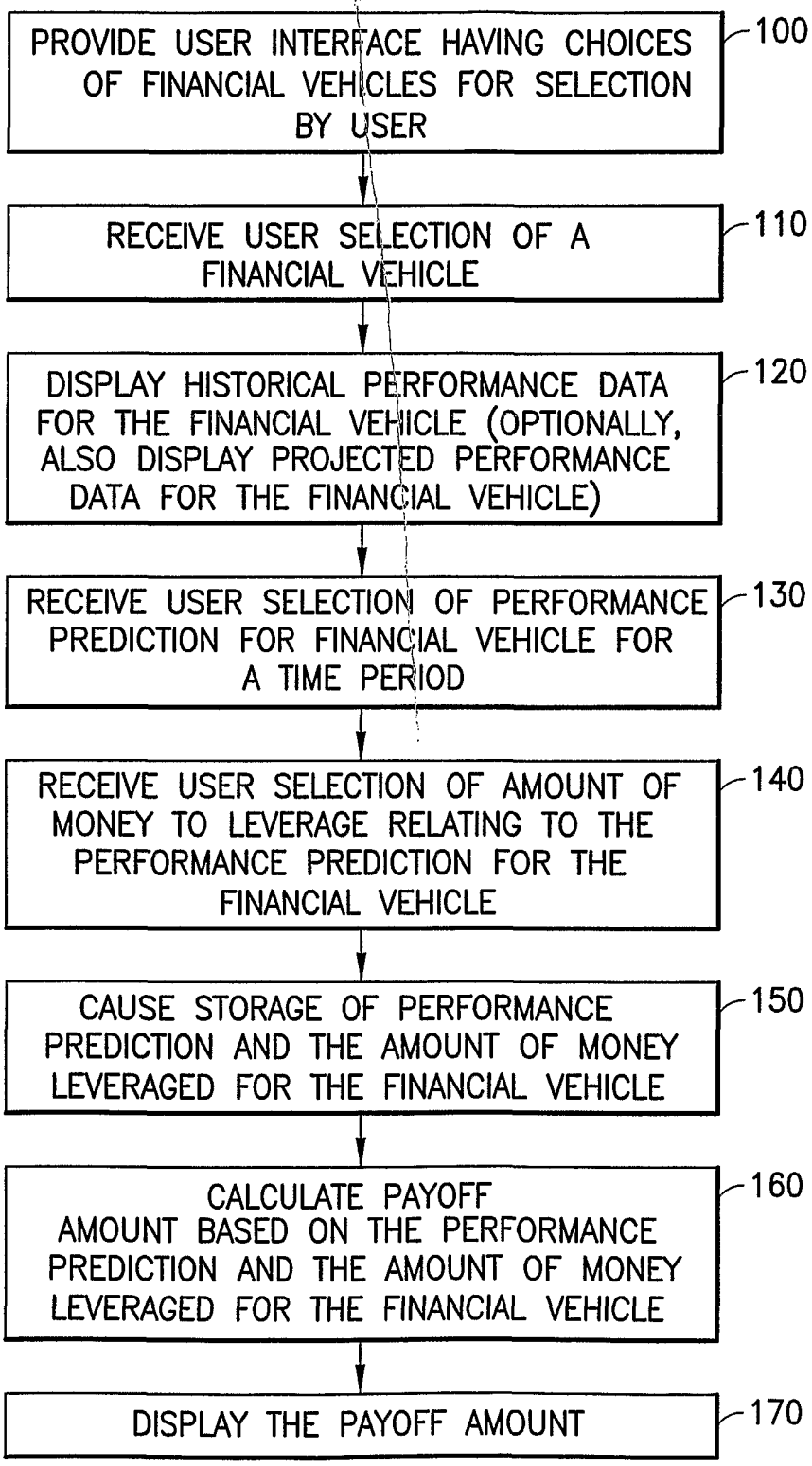
PROVIDE USER INTERFACE HAVING CHOICES OF FINANCIAL VEHICLES FOR SELECTION BY USER
100
RECEIVE USER SELECTION OF A FINANCIAL VEHICLE
110
DISPLAY HISTORICAL PERFORMANCE DATA FOR THE FINANCIAL VEHICLE (OPTIONALLY, ALSO DISPLAY PROJECTED PERFORMANCE DATA FOR THE FINANCIAL VEHICLE)
120
RECEIVE USER SELECTION OF PERFORMANCE PREDICTION FOR FINANCIAL VEHICLE FOR A TIME PERIOD
130
RECEIVE USER SELECTION OF AMOUNT OF MONEY TO LEVERAGE RELATING TO THE PERFORMANCE PREDICTION FOR THE FINANCIAL VEHICLE
140
CAUSE STORAGE OF PERFORMANCE PREDICTION AND THE AMOUNT OF MONEY LEVERAGED FOR THE FINANCIAL VEHICLE
150
CALCULATE PAYOFF AMOUNT BASED ON THE PERFORMANCE PREDICTION AND THE AMOUNT OF MONEY LEVERAGED FOR THE FINANCIAL VEHICLE
160
DISPLAY THE PAYOFF AMOUNT
170

FIG.2

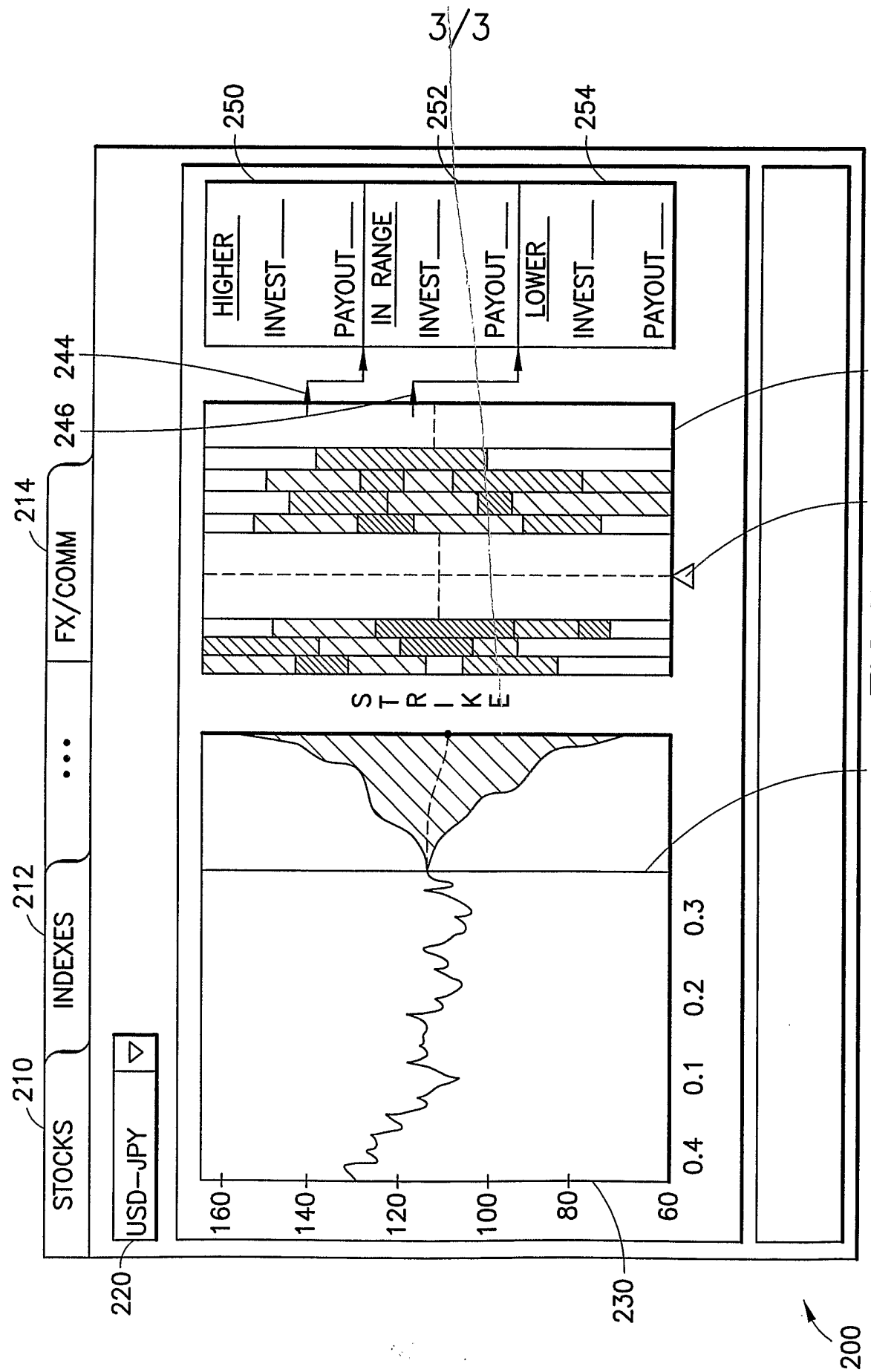
250
252
254
HIGHER
INVEST
PAYOUT
IN RANGE
INVEST
PAYOUT
LOWER
INVEST
PAYOUT
244
246
240
214
FX/COMM
242
STRIKE
232
212
INDEXES
210
STOCKS
USD-JPY
160
140
120
100
80
60
0.4
0.1
0.2
0.3
220
230
200

FIG.3