1038-60-178 **Hasanjan Sayit*** (`hs7@wpi.edu`), Worcester, MA 01609, and **Erhan Bayraktar** (`erhan@umich.edu`), Ann Arbor, MI 48502. *Arbitrage Free Models In Markets With Transaction Costs.*

In his recent paper, Paolo Guasoni introduced the notion of sticky processes and showed that stickiness implies absence of arbitrage in a market with friction. This work investigates the sticky property further. In particular, we show that stickiness is invariant under composition with continuous functions. We also prove a time change result on stickiness. As an application we provide sufficient conditions for continuous semimartingales to be sticky (A counter example show that not all semi-martingales are sticky). As a result, our paper provides an extended class of stochastic processes that are consistent with the no arbitrage property in a market with friction. (Received February 07, 2008)