1038-60-44   **Kiseop Lee*** (`kiseop.lee@louisville.edu`), Department of Mathematics, University of
Louisville, Louisville, KY 40292. *Estimation of Liquidity Cost.*

The liquidity risk is defined as an additional risk in the market due to the timing and size of a trade. A pioneering work by Cetin et al. (2003) proposed a rigorous mathematical model incorporating this liquidity risk into the arbitrage pricing theory. A practical problem arising in a real market application is an estimation of a liquidity cost. In this paper, we propose to estimate the liquidity cost function in the context of Cetin et al. (2003) using a couple of different methods. (Received January 15, 2008)