On Non-Negative Local Martingales and True Martingales, with Applications to Financial Modelling

Dr Bernard Wong¹ and Professor C C Heyde²

¹University of New South Wales.
²Australian National University and Columbia University.

A classical problem in stochastic analysis is the relationship between strictly local martingale and true martingales. In this talk we present a necessary and sufficient condition for a (possibly discontinuous) non-negative local martingale to be a true martingale. Applications of this condition to financial modelling will also be given.