PROBABILITIES OF WIENER PATHS CROSSING DIFFERENTIABLE CURVES

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Let \( \{W(t); t \geq 0\} \) be the standard Wiener process. The probabilities \( P[\sup_{0 \leq t \leq T} W(t) \geq b] \) and \( P[\sup_{0 \leq t \leq T} W(t) - at \geq b] \) are well known. This paper gives the probabilities of the type \( P[\sup_{0 \leq t \leq T} W(t) - f(t) \geq b] \) for a large class of differentiable functions \( f(t) \) by the use of integral equation techniques.

1. Introduction. Let \( \{W(t), t \geq 0\} \) be the standard Wiener process such that (i) \( P[W(0) = 0] = 1 \), (ii) \( EW(t) = 0 \) for all \( t \geq 0 \), and (iii) \( \text{Cov}[W(s), W(t)] = \min(s, t) \). It is well known that for \( b \geq 0 \)

\[
P[\sup_{0 \leq t \leq T} W(t) \geq b] = 2P[W(T) \geq b] = 2\Psi(bT^{-1/2})
\]

where

\[
\Psi(x) = (2\pi)^{-1/2} \int_{-\infty}^{\infty} \exp(-u^2/2)du,
\]

and that

\[
P[\sup_{0 \leq t \leq T} W(t) - at \geq b] = \Psi[(aT + b)T^{-1/2}] + \exp(-2ab)\Phi((aT - b)T^{-1/2}),
\]

where \( \Phi(x) = 1 - \Psi(x) \).

The identity (1.1) can be found in [2:392], [5:286], and [11:256] while the identity (1.2) can be found in [6], [7:348-349], and [9:80-82]. Doob [3:397-399] gives a very interesting proof of (1.2) for \( T = \infty \) case only. Shepp’s proof for (1.2) is based on his transformation theorem in [7]. Cameron-Martin translation theorem in [1] also gives the same result using Shepp’s argument.

The main purpose of this paper is to find the probability \( P[\sup_{0 \leq t \leq T} W(t) - f(t) \geq b] \) for a large class of functions \( f(t) \) differentiable in \( (0, T) \), which is a generalization of the results (1.1) and (1.2). Durbin [4] gave an integral equation whose solution would be the required probability. However, it turned out to be that his integral equation could not be solved analytically, and hence he presented a numerical approximation method. After that Smith [8] introduced some new techniques to obtain an approximation for the probability. The present authors’ integral equation gives explicit expression for the solution, while Durbin’s and Smith’s do not.

2. Statement of the result and proof.

**Theorem.** For each \( T > 0 \) let \( f(t) \) be continuous on \([0, T]\),
differentiable in \((0, T)\), and satisfy \(|f'(t)| \leq C/t^p \ (p < 1/2)\) for some constant \(C\). Then the probability \(P[\sup_{0 \leq t \leq T} W(t) - f(t) \geq b] = F(T)\) is one if \(f(0) + b \leq 0\), and otherwise it is given as the unique continuous solution of the integral equation

\[
F(T) = 2\Psi[(f(T) + b)T^{-1/2}] - 2 \int_0^T F(t)M(T, t)dt ,
\]

where

\[
\Psi(x) = (2\pi)^{-1/2} \int_{-\infty}^{\infty} \exp(-u^2/2)du
\]

and

\[
M(z, t) = \begin{cases} 
(2\pi)^{-1/2} \frac{\partial}{\partial t} \int_{-\infty}^{(f(z)-f(t))(z-t)^{-1/2}} \exp(-u^2/2)du, \ (0 \leq t < z \leq T) \\
0, \quad (0 \leq z \leq t \leq T) .
\end{cases}
\]

More precisely for \(f(0) + b > 0\)

\[
P[\sup_{0 \leq t \leq T} W(t) - f(t) \geq b]
= h(T) + \sum_{n=1}^{\infty} 4^n \int_0^T K_n(T, t)h(t)dt ,
\]

where

\[
h(T) = 2\Psi[(f(T) + b)T^{-1/2}] - 4 \int_0^T M(T, t)\Psi[(f(t) + b)t^{-1/2}]dt ,
\]

\[
K_n(T, t) = \int_t^T M(T, z)M(z, t)dz ,
\]

and

\[
K_{n+1}(T, t) = \int_t^T K_n(T, z)K_1(z, t)dz .
\]

Proof. If \(f(0) + b \leq 0\), then since \(W(0) = 0\) a.s., it is obvious that the probability is one. Now, let \(\tau = \tau(\omega)\) be the first hitting time of the curve \(f(t) + b\) by the sample path \(W(t, \omega)\), that is to say that \(W(\tau, \omega) = f(\tau) + b\), and if \(0 \leq t < \tau\), then \(W(t, \omega) < f(t) + b\). If \(W(t, \omega)\) never reaches the curve \(f(t) + b\), then we simply set \(\tau = \infty\). Thus

\[
F(T) = P[W(T) \geq f(T) + b]
+ P[\sup_{0 \leq s \leq T} W(s) - f(s) \geq b, W(T) < f(T) + b] .
\]

Using the fact that \(P[\tau \leq t] = P[\sup_{0 \leq s \leq t} W(s) - f(s) \geq b] = F(t)\) and the notation in the theorem, we obtain
\[
F(T) = \Psi[(f(T) + b)T^{-1/2}] \\
+ \int_0^T P[W(T) < f(T) + b \mid \tau = t]dF(t) \\
= \Psi[(f(T) + b)T^{-1/2}] \\
+ \int_0^T P[W(T) - W(t) < f(T) - f(t) \mid \tau = t]dF(t) .
\]

Since the increment \( W(T) - W(t) \) is independent of the condition \( \tau = t \), it follows that

\[
F(T) = \Psi[(f(T) + b)T^{-1/2}] \\
+ \int_0^T \Phi((f(T) - f(t))(T - t)^{-1/2})dF(t) ,
\]

where \( \Phi(x) = (2\pi)^{-1/2} \int_{-\infty}^\infty \exp(-w^2/2)dw \). As \( \lim_{t \to T} [f(T) - f(t)](T - t)^{-1/2} = 0 \), integration by parts yields (interpreting the integral in improper sense)

\[
F(T) = \Psi[(f(T) + b)T^{-1/2}] + \frac{1}{2} F(T) - \int_0^T F(t)M(T, t)dt ,
\]

from which (2.1) follows.

To solve the integral equation (2.1) rewrite \( M(z, t) \) by the use of (2.2)

\[
M(z, t) = \begin{cases} 
(2\pi)^{-1/2}(z - t)^{-1/2} \left[-f'(t) + \frac{f(z) - f(t)}{2(z - t)} \right] \exp \left\{ -\frac{(f(z) - f(t))^2}{2(z - t)} \right\} & \text{if } 0 \leq t < z \leq T , \\
0 & \text{if } 0 \leq z \leq t \leq T .
\end{cases}
\]

Apparently \( M(z, t) \) is not square integrable on \( [0, T]^2 \). Hence the integral equation (2.1) can not be solved by usual methods for Volterra integral equations of the second kind (see Tricomi [10, pp.10–15]). However, using the expression (2.1) for \( F(t) \) in the right-hand side of (2.1), we can rewrite (2.1) as:

\[
F(T) = G(T) - 2 \int_0^T M(T, z) \left[ G(z) - 2 \int_0^z F(t)M(z, t)dt \right]dz ,
\]

where \( G(T) = 2\Psi[(f(T) + b)T^{-1/2}] \). Thus the change of order of integration gives

\[
F(T) = G(T) - 2 \int_0^T M(T, t)G(t)dt \\
+ 4 \int_0^T F(t) \left[ \int_t^T M(T, z)M(z, t)dz \right]dt .
\]
Value Theorem, we obtain from (2.4) with suitable constants $C_1$ and $C_2$

$$\left| \int_{t}^{T} M(T, z)M(z, t)dz \right| \leq C_1 \int_{t}^{T} (T - z)^{-\frac{1}{2}}(z - t)^{-\frac{1}{2}} \left[ f'(z) + \frac{C_2 z^{-p}}{2} \right]dz$$

$$\leq C_2 t^{-p} \int_{t}^{T} (T - z)^{-\frac{1}{2}}(z - t)^{-\frac{1}{2}} z^{-p} dz .$$

The substitution $z = t + (T - t)u$ in the above yields

$$\left| \int_{t}^{T} M(T, z)M(z, t)dz \right| \leq C_2 t^{-p} \int_{0}^{1} (1 - u)^{-\frac{1}{2}}u^{-\frac{1}{2}}[uT + (1 - u)t]^{-p} du$$

$$\leq C_2 t^{-p} T^{-p} \int_{0}^{1} (1 - u)^{-\frac{1}{2}}u^{-\frac{1}{2}}u^{-p} du$$

$$\leq (\text{const.})t^{-p} T^{-p} .$$

Thus the kernel $\int_{t}^{T} M(T, z)M(z, t)dz$ in the integral equation (2.5) is indeed square integrable for any $p < 1/2$, and hence the integral equation has a unique continuous solution for $F(T)$, and the solution is given by (2.3) (see Tricomi [10, pp. 5–8]).

REMARK. In some special cases of $f(t)$ the integral equation in the theorem can be solved more directly.

**Case 1.** If $f(t) \equiv c$ in the theorem, then $M(T, t) \equiv 0$ and hence $F(T) = 2 \Psi[(c + b)T^{-1/2}]$ which agrees with (1.1).

**Case 2.** If $f(t) = at$, then

$$M(T, t) = (2\pi)^{-1/2} \frac{\partial}{\partial t} \int_{-\infty}^{a\sqrt{T-t}} \exp(-u^2/2)du$$

$$= -\frac{a}{2(2\pi)^{1/2}}(T - t)^{-1/2} \exp[-a^2(T - t)/2] \equiv N(T - t), \quad 0 \leq t < T .$$

If we set $G(T) = 2\Psi[(aT + b)T^{-1/2}]$, then the integral equation becomes

$$F(T) = G(T) - 2 \int_{0}^{T} F(t)N(T - t)dt .$$

Taking the Laplace transform $(L[F(T)] = \int_{0}^{\infty} e^{-st} F(T)dT)$ of both sides, we get

$$L[F(T)] = L[G(T)] - 2L[F(T)]L[N(T)] ,$$

or
\[ L[F(T)] = \frac{L[G(T)]}{1 + 2L[N(T)]} = s^{-1} \exp \left[ -ab - b(2s + a^2)^{1/2} \right] . \]

Therefore,
\[ F(T) = 1 - \Phi((aT + b)T^{-1/2}) + \exp (-2ab)\Phi((aT - b)T^{-1/2}) \]

which agrees with (1.2).

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Miam University
Kenneth Abernethy, On characterizing certain classes of first countable spaces by open mappings .......................................................... 319
Ross A. Beaumont and Donald Lawver, Strongly semisimple abelian groups .......... 327
Gerald A. Beer, The index of convexity and parallel bodies .................................. 337
Victor P. Camillo and Kent Ralph Fuller, On Loewy length of rings .................. 347
Stephen LaVern Campbell, Linear operators for which $T^*T$ and $TT^*$ commute, II .............................................................. 355
Charles Kam-Tai Chui and Philip Wesley Smith, Characterization of a function by certain infinite series it generates ........................................... 363
Allan L. Edelson, Conjugations on stably almost complex manifolds .................... 373
Patrick John Fleury, Hollow modules and local endomorphism rings .................... 379
Jack Tilden Goodykoontz, Jr., Connectedness im kleinen and local connectedness in $2^X$ and $C(X)$ ......................................................... 387
Robert Edward Jamison, II, Functional representation of algebraic intervals ............ 399
Athanassios G. Kartsatos, Nonzero solutions to boundary value problems for nonlinear systems ........................................................................ 425
Soon-Kyu Kim, Dennis McGavran and Jingyal Pak, Torus group actions on simply connected manifolds ......................................................... 435
David Anthony Klarner and R. Rado, Arithmetic properties of certain recursively defined sets .............................................................................. 445
Ray Alden Kunze, On the Frobenius reciprocity theorem for square-integrable representations ........................................................................... 465
John Lagnese, Existence, uniqueness and limiting behavior of solutions of a class of differential equations in Banach space ................................. 473
Teck Cheong Lim, A fixed point theorem for families on nonexpansive mappings ...... 487
Lewis Lum, A quasi order characterization of smooth continua ............................... 495
Andy R. Magid, Principal homogeneous spaces and Galois extensions .................... 501
Charles Alan McCarthy, The norm of a certain derivation ..................................... 515
Louise Elizabeth Moser, On the impossibility of obtaining $S^2 \times S^1$ by elementary surgery along a knot ......................................................... 519
Gordon L. Nipp, Quaternion orders associated with ternary lattices ..................... 525
Anthony G. O’Farrell, Equiconvergence of derivations .......................................... 539
Dorte Olesen, Derivations of AW*-algebras are inner ............................................. 555
Dorte Olesen and Gert Kjærgaard Pedersen, Derivations of C*-algebras have semi-continuous generators ...................................................... 563
Duane O’Neill, On conjugation cobordism ............................................................... 573
Chull Park and S. R. Paranjape, Probabilities of Wiener paths crossing differentiable curves .............................................................................. 579
Edward Ralph Rozema, Almost Chebyshev subspaces of $L^1(\mu; E)$ .................. 585
Lesley Millman Sibner and Robert Jules Sibner, A note on the Atiyah-Bott fixed point formula .............................................................................. 605
Betty Salzberg Stark, Irreducible subgroups of orthogonal groups generated by groups of root type 1 ............................................................. 611
N. Stavrakas, A note on starshaped sets, $(k)$-extreme points and the half ray property ......................................................................................... 627
Carl E. Swenson, Direct sum subset decompositions of $\mathbb{Z}$ ............................... 629
Stephen Tefteller, A two-point boundary problem for nonhomogeneous second order differential equations ...................................................... 635
Robert S. Wilson, Representations of finite rings ................................................... 643