

**To explore the protected legal interests by insider trading  
prohibition :  
Focus on Efficient Capital Market Hypothesis and Capital Asset  
Pricing Model**

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**Abstract**

For a long time the term of the hypothesis of market efficiency is applied in the legal literature, but to check the specific content of this concept and the level of market efficiency, especially more importantly, the relationship between the hypothesis of market efficiency and the prohibition of insider trading are never clarified.

In fact, as one of the essential tools for checking the market efficiency pricing model always plays an indispensable role. The proper functioning of the capital market requires that the market is efficient. From the standpoint of the Securities Exchange Law that insider trading be prohibited, it is concluded that only the semi-strong form is the ideal level of market efficiency for legislator.

If the good market efficiency is the basis of the functioning of the capital market, we can conclude that the first legal interest, which is protected by prohibition of insider trading, may be "the functions of the capital market" or "investors' confidence in the functioning of the market".

The fact that the pricing model acknowledges the feature of risk premium indicates that the property may be the second legal interest, which is also protected from insider trading prohibition. After the content of these legal interests has been

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confined, we can get the relative safe answers to the following questions such as the structure of the offense, the illegal intent, or disclosure of inside information.

**Keywords:**Hypothesis of market efficiency, Capital asset pricing model, Joint hypothesis, Legal interest, Strict liability offence, Illegal intent, Disclosure of insider information.