INTRODUCTION

The financial sector assessment programme (FASP) is a joint initiative of the ‘Brettonwoods Twins’ that is International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD), that began in 1999. It attempts to assess the stability and resilience of financial systems in member countries. India participated in Financial Sector Assessment Programme in three times at different time intervals.

Based on these recommendations and recommendations of Advisory Group Report – 2001 and Report on Observance of Standards and Codes -2004 (ROSE-2004), the Government of India in consultation with the Reserve Bank of India constituted a committee in September-2006, known as the Committee on Financial Sector Assessment (CFSA). The CFSA submitted an interim report to then Finance Minister, Shri. P. Chidambaram and to the then Governor Dr. Y. V. Reddy, in August 2007. The CFSA finalised its report on Indian Financial System in its meeting held in December 20, 2008. This report is mainly based on the principles given by the International Organisation of Securities Commission that is IOSCO Principles. The Financial Market is an important component of the Financial System. They are a mechanism for the exchange of financial products; under a policy framework. The components of Financial Market according to IOSCO standards are: Equity, Corporate Bond and Derivatives Market, Foreign Exchange Market, Government Securities Market and Money Market.

This study is limited to only one segment of the financial market that is Equity market.

The assessment of IOSCO Principles as regards regulation of the equity market reveals an overall level of compliance. The responsibilities of market regulator are somewhat well defined. It regulates market players through a combination of: (a) on site supervision (b) off-site reporting (c) investigation and surveillance of the equity market and related entities. (d) there is full, timely and accurate disclosure of financial results and information that are material to investors’ decisions (e) the holders of securities are treated in a fair and equitable manner (f) capital requirements have been prescribed for market intermediaries and (g) there is ongoing supervision of stock exchanges and trading systems to ensure integrity of trading. Even though the central government\SEBI claims that; IOSCO Principles are implemented in Indian equity market; some gaps still exist in the areas like: a)
Responsibilities of regulator b) Operational independence and accountability of the regulator
c) Inspection, investigation, and surveillance powers d) Assistance provided to foreign regulators e) Minimum entry standards f) capital and prudential requirements g) internal organization and operational conduct of market intermediaries and h) procedures for dealing with the failure of a market intermediary. The India must adopt the IOSCO standards in totality to create the **financial infrastructure** for our nation.

A robust and secure financial infrastructure is the cornerstone of financial stability and development. The financial infrastructure involves the following:

a) Regulatory Infrastructure b) Liquidity Infrastructure c) Legal Infrastructure d) Corporate Governance Infrastructure e) Accounting Infrastructure f) Auditing Infrastructure g) Payment and Settlement of Securities infrastructure h) Business Continuity Management Infrastructure i) Deposit Insurance Infrastructure and
k) Financial System Integrity Infrastructure