ISSN 2582-0311 (Print)
ISSN 2582-0303 (Online)

Volume 6
Issue I

August 2024

VIPS STUDENT LAW REVIEW

VIVEKANANDA INSTITUTE OF PROFESSIONAL STUDIES - TECHNICAL CAMPUS

Affiliated to GGSIP University, Delhi
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Volume 6, Issue I August, 2024 ISSN 2582-0311 (Print)
ISSN 2582-0303 (Online)

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MERGER OF NSE IFSC & BSE INX: A COSMIC MATCH FOR GROWTH AS A CAPITAL FLOURISHED ECONOMY

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VIPS Student Law Review
August 2024, Vol. 6, Issue 1, 132-146
ISSN 2582-0311 (Print)
ISSN 2582-0303 (Online)
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https://vslls.vips.edu/vslr/

ABSTRACT

The point of convergence of this research article is the proposed merger in the Gujarat International Finance Technology City (GIFT) of the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) of their international subordinates i.e., the merger of BSE INX and NSE IFSC, which if actualized will be a crucial turning point in the evolution of international financial markets, and in acting as a catalyst for multifaceted national economic growth and development. The National Stock Exchange, the Bombay Stock Exchange, and their respective counterparts dealing with internationally established companies and their stocks, the NSE IFSC and the BSE INX, are examined in this paper along with their historical background and establishment. Whereas the news of the proposed merger remains a hearsay, this article discusses the potential it carries, key differences between these international subsidiaries, and how they communicate with the national as well as the international market. The broader worldwide ramifications of the BSE-NSE merger are explored as well in this research. It takes into account the involvement of various regulatory bodies for realizing this merger, potential effects of this merger on international investments and traders, its implication on India's economic standings and security, the attractiveness of India as an international investment destination, and the evolving dynamics of global stock exchanges. This study offers significant insights into the motivations, difficulties, and potential results of this union, laying the groundwork for careful deliberation and strategic choices in the rapidly developing field of international finance. In conclusion, it shows how this merger will impact the economy nationally as well as internationally in the coming time.

Keywords: *NSE, BSE, Merger, NSE IFSC, BSE INX.*

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1. INTRODUCTION

The National Stock Exchange (NSE) is one of India's leading stock exchanges, facilitating electronic trading. The Bombay Stock Exchange (BSE) is one of Asia's oldest stock exchanges, operating in Mumbai and offering a diverse range of financial products. The merger of the global subsidiaries of key stock exchanges, NSE and BSE is a complex and vital move to compete with global exchanges in Dubai, Singapore, Hong Kong, etc. This integration in the Gujarat International Finance Technology City (GIFT) aligns with India's strategy to capture offshore trading and elevate its international financial status. Discussions are ongoing about having the Ministry of Corporate Affairs oversee the process instead of the NCLT to expedite it.

The benefits of this merger, such as increased liquidity and fair stock valuation, outweigh potential challenges. This benefits foreign companies looking to engage in Indian markets, improves global rankings for international exchanges, and encourages cross-border investments. Combining resources enhances cost-efficiency and productivity, but obtaining various clearances and permissions from entities like SEBI and NCLT presents time and cost challenges. The speculations of this merger are expected to actualize soon.

2. WHAT IS NSE IFSC & BSE INX

2.1 Understanding NSE & BSE

India's largest financial market and fourth largest market by trading volume, the National Stock Exchange of India Limited was incorporated in the year 1992. It was the first stock exchange that started providing the services of fully automated screen-based electronic trading system[1]. NEAT, the National Exchange for Automated Trading, offers a screen-based trading system as its trading interface. The sheer volume of trading activity in the market and operation of systems without human interference led to the promotion of greater transparency in the Indian Capital Market. The total count of companies that are currently listed in the NSE is 2137. Prior to NSE's arrival, trading membership was confined to a group of brokers, and investment into stocks wasn't widely accessible to the general public in the country. The NSE,[2] with a wave of revolution, changed it and made stock market investing available to the masses. NSE is the preferred platform, as it has already established its supremacy in terms of liquidity as the volumes traded on the said platform of the shares on a daily basis are higher when compared to BSE. The benchmark

1 Dr. G. S. Lodhi, *Introduction of BSE and NSE* (Horizon Books, 2021).

2 NSE India, *available at:* www.nseindia.com (last visited on October 12, 2023).

index in case of NSE is NIFTY[3] which is made of major 50 stocks listed on it. The broader indices capture the broader picture of the market such as NIFTY 100, NIFTY 500, etc.

The Bombay Stock Exchange (BSE) is the oldest stock exchange not only in India but also in Asia. Founded in 1875, under the moniker of the Native Share and Stock Brokers' Association, the Bombay Stock Exchange (BSE) stands as India's pioneering and foremost securities market. Over its storied history, the BSE has played a pivotal role in nurturing and shaping India's financial landscape, fostering growth not only in the retail debt market but also in the expansive corporate sector. Distinguished as Asia's inaugural stock exchange, the BSE goes beyond traditional equity trading, providing a specialized platform tailored to the needs of small and medium-sized enterprises (SMEs). BSE has implemented an online trading platform called BOLT, which stands for BSE's Online Trading System. Total number of companies listed in the BSE is 5295. It has raised capital by issuing its shares which are traded on NSE. The broader indices in case of BSE are S & P BSE, LargeCap, AllCap, etc. It claims to be the world's fastest stock exchange with an average trade speed of 6 microseconds. Historically, it was an open outcry floor trading exchange where people would shoutout their orders to buy and sell stocks and then switched to electronic trading system in 1995. This automated screen based trading platform called BSE Online Trading has a capacity of 8 million orders per day. It has also introduced a centralized exchange-based internet trading system to enable investors from across the world to trade on the BSE platform.

2.2 What is NSE IFSC

a. Origin

NSE International Finance Services Centre Exchange (NSE IFSC) stands as a wholly-owned subsidiary of the prestigious National Stock Exchange of India Limited (NSE). It was established on November 29, 2016[4], and registered by the Registrar of Companies in Gujarat. The NSE operating under the regulatory oversight of the IFSCA, NSE IFSC has emerged as a prominent financial entity, fostering international financial activities from its base in Ahmedabad, Gujarat. Stock exchanges operating in the Gujarat International Finance Technology City (GIFT)[5] are permitted to offer trading in international securities in any currency except for Indian rupee and currently it takes place in US dollars. The manner of functioning is quite similar to NSE and BSE's work in Mumbai. Until March 3, 2022, trading in Indian equities was predominantly accessible to non-resident Indians (NRIs) and foreign investors. However, a significant shift occurred on that date when the

3 S. A. Ansari, *Trading Nifty and Banknifty options: The smart way*.

4 NSE IX, *available at:* www.nseix.com/, (last visited on October 9, 2023).

5 GIFT Gujarat, *available at:* www.giftgujarat.in/, (last visited on October 13, 2023).

NSE IFSC exchange extended its reach, opening up a new avenue. Indian retail investors were granted the remarkable opportunity to participate in the trading of US-listed stocks, marking a transformative moment in the Indian investment landscape.

b. Trading System

To begin with, a trading and Demat account is opened with NSE IFSC registered brokers. The process of KYC is the next stepping stone. Further, there must be a documentation for Liberalized Remittance Scheme (LRS) with the bank. The Reserve Bank of India (RBI) introduced the Liberalized Remittance Scheme (LRS) as a progressive initiative to empower resident Indian individuals. Under this scheme, individuals can seamlessly remit up to USD 2,50,000/- abroad during a financial year, spanning from April to March. This flexibility allows them to engage in a wide range of permissible current or capital account transactions, or even a blend of both, thereby facilitating greater financial freedom and global connectivity.

Furthermore, the funds can be transferred to this Demat account from the local bank account. Once the funds are reflected in the broker's account, it activates NSE IFSC US Stocks for further trading. There is no specific requirement for the bank account to belong to the investor, but it is essential that the transactions are conducted in USD. Every broker has the liberty to charge any amount of brokerage, but the minimum fixed amount is 0.5 dollars per receipt. Receipt is received once shares are brought. But in international stocks, one would buy a fraction rather than buying a share because the trading prices of a share of companies listed in NSE IFSC are too high in comparison to the Indian currency. So, the higher the trading price of a share, the higher fraction it represents because of which small retail investors can also invest in major international companies. This fraction is then delivered in the Demat accounts as a receipt. Investors do not get the actual US stock and shares, instead depository receipts are issued. Negotiable financial instruments like American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) are issued in lieu of actual stocks and shares. Depository Receipts are financial instruments that represent an equity stock listed on a foreign exchange which allow investors to hold equity shares of foreign companies without the need to trade directly on a foreign stock exchange. Currently, on NSE IFSC Exchange, there are only 8 stocks which one can sell or buy - Alphabet (Google), Amazon, Meta Platforms (Facebook), Netflix, Apple, Walmart, Tesla and Microsoft.[6] The trading time is according to the New York Stock Exchange for this exchange.

6 Neelanjit Das, "NSE IFSC v. BSE IFSC: Key differences & how they work", *Outlook India,* March 9, 2022 , *available at:* <www.outlookindia.com/business/nse-and-bse-india-inx-ifsc-both-have-their-own-foreign-stock-trading-mechanism-what-are-they--news-185996> (last visited on October 1, 2023).

2.3 What is BSE INX or India INX?

a. Origin

Situated within the vibrant confines of GIFT City, India International Exchange (India INX)[7] stands as a dynamic subsidiary under the umbrella of BSE. Marking its official inauguration on the 9th of January in 2017, this exchange embarked on its operational journey just one week later, on January 16, 2017. Notably, the regulatory oversight of India INX falls under the purview of the International Financial Services Authority (IFSCA)[8], reflecting its commitment to adhering to global financial standards and practices. The BSE-owned exchange not only provides additional global investment opportunities, but also enables domestic businesses to raise funds through the active international loan market. India INX provides a 22-hour trading access throughout the week for a wide range of products, including debt instruments, indexes, and derivatives on stocks, commodities, and currencies. At the heart of India International Exchange (India INX) lies cutting-edge technology, serving as the cornerstone of its operations and an instrumental driver of the exchange's growth. With a remarkable response time of just 4 microseconds, this technological prowess not only underpins the exchange's functionality but also plays a pivotal role in its continuous evolution and success. BSE INX allows international investors to trade from anywhere in the world. The Liberalised Remittance Scheme (LRS) measure, introduced by the RBI, helped effectively in adding global brokers to connect these global exchanges through global access platform. The scope of India INX stands broader than NSE IFSC. Presently, it provides an access to 130 exchanges across 31 countries worldwide. US fractional shares are permitted by this global platform for the welfare of the small investors who can also invest up to $250,000 under the Reserve Bank of India's LRS route. Both, Indian investors coming through LRS and foreign investors coming directly, will be allowed to directly access this market and to the liquidity of foreign market without any compromise. Under the aforementioned, access will be given not only to equities which are dividend within the US stocks but will also connect it to markets such as- Germany, Spain, Italy, Korea, Japan, and South Africa. India INX has set a resolute course to emerge as the preferred offshore exchange for global investors and market participants, driven by an expansive array of innovative offerings and services. Their mission entails enhancing market liquidity while maintaining an astute pricing framework, thereby fortifying their position as a frontrunner in the international financial landscape.

7 India INX, *available at:* www.indiainx.com/ (last visited on October 9, 2023).

8 International Financial Services Centres Authority, *available at:* www.ifsca.gov.in/ (last visited on October 5, 2023).

b. Trading System

The trading system requires an account to be opened with India INX, not with the broker. Further, money can be transferred through the partner's bank or any other bank. This money is then transferred to the foreign bank account, i.e., JP Morgan, which is the partner bank of India INX. Once the amount is transferred, it reflects the balance to the India INX Bank as the credit received and there is a balance in the account which provides a route to buy the shares. The share remains with the International custodian i.e. Interactive Broker LLC. Prior to this, it is necessary to comply with the documentation procedures along with KYC. Traders can place different types of orders according to their trading strategy. It operates as an online trading platform so it matches the relevant orders for buying and selling as per their point of reference. There is an exchange of selling of the securities and its subsequent payment by the buyers in a trading day. Investors and brokers have to ensure to adhere to all regulatory requirements specified.

3. NSE IFSC & BSE INX : DRAWING THE LINE OF DIFFERENCE

There are key differences between the working of these two exchanges-

Both provide an exchange platform but with different routes. In BSE INX, shares can be brought by investors through direct share buying, while in NSE IFSC, the investors can buy share through a depositary receipts route.[9]

Under BSE INX, brokers not only from US but from across the world are permitted to use the platform. Investors can purchase international shares directly from more than 130 stock exchanges in more than 31 countries using BSE IFSC whereas in NSE IFSC, only 50 US stock investing options are available.

In NSE IFSC, a trading and Demat account is to be opened with NSE IFSC registered brokers. Funds can be easily transferred to the Demat account from the local bank accounts. Once the funds reflects in the broker's account, it activates NSE IFSC US Stocks for further trading. Whereas in BSE INX, an account has to be opened with India INX and then money can be transferred through partner's bank or any other bank. This money is then transferred to the foreign bank account, i.e., JP Morgan, which is also the partner bank of India INX. Once the amount is transferred, it will reflect the balance in the India INX Bank.

9 Neelanjit Das, *"NSE IFSC v. BSE IFSC: Key differences & how they work", Outlook India,* March 9, 2022, *available at:* <www.outlookindia.com/business/nse-and-bse-india-inx-ifsc-both-have-their-own-foreign-stock-trading-mechanism-what-are-they--news-185996> (last visited on October 1, 2023).

In NSE IFSC, the trading time is according to the New York Stock Exchange, so its trading hours are 8 p.m. IST to 2:30 p.m. IST. Whereas, BSE INX operates 22 hours a day, six days a week.

4. PLANTING THE ROOTS OF MERGER : IFSCA

The financial service centre which provides an exceptional level of infrastructure to financial institutes in India- International Financial Service Centre (IFSC)[10], is based in Gujrat International Finance Tec-City commonly known as the GIFT City[11] and is regulated by an independent regulator IFSCA. By setting up GIFT City, eyes were set on to serve and further, the international financial services by creating a financial hub that could hold a strong ground and be steadfast in the international market arena. In furtherance of the aforementioned, and following the setting up[12] of India International Bullion Exchange (IIBX)[13], it suggested and urged a merger of International Exchanges of both NSE and BSE, two of the most recognized stock exchanges finding themselves high up in the list of international rankings[14]. The intention behind this curtain being, buildout of these exchanges in such ways that they bestow the other internationally celebrated exchanges with a fierce competition. To expedite the process of the suggested merger, the centre is also said to be in talks that the merger be looked over, not by NCLT, but by the adjudicating authority of Ministry of Corporate Affairs. Further, drawing the inference from the fact that IFSC Regulator's Chairman was previously the secretary of Ministry of Corporate Affairs, it will smoothen the process as the know how's of how to make this merger a financially profitable situation, that too at a terminal velocity for the country, are already known.

10 Taxmann, *International Finance Service Centre (IFSC) – In a Nutshell* (Taxmann Publications Private Limited, 2021 edn.).

11 "BSE NSE may merge international units at GIFT IFSC", *The Hindu- Business Line*, July 17, 2023, *available at:* <www.thehindubusinessline.com/markets/bse-nse-may-merge-international-units-at-gift-ifsc/article67087338.ece> (last visited on October 4, 2023).

12 "PM Modi inaugurates India's first Bullion Exchange at GIFT City Gandhinagar", *The Hindu,* July 29, 2022, *available at:* <www.thehindu.com/news/national/other-states/pm-modi-inaugurates-indias-first-bullion-exchange-at-gift-city-gandhinagar/article65699580.ece> (last visited on October 3, 2023).

13 India International Bullion Exchange*, available at:* https://www.iibx.co.in/ (last visited on October 5, 2023).

14 Khushboo Tiwari, "NSE-BSE IFSC units may file merger plea before NCLT by September end", *Business Standard*, September 7, 2023, *available at:* <www.business-standard.com/markets/news/nse-bse-ifsc-units-may-file-merger-plea-before-nclt-by-september-end-123090600907_1.html> (last visited on October 12, 2023).

To bracket the connection between NSE and BSE with IFSC, it can be explained that NSE IFSC established at GIFT[15] is a NSE owned subsidiary, and likewise BSE India INX is a completely owned subsidiary of BSE, both operating as global trading platforms there. In a nutshell, IFSC acts as a front and anchor to the established international exchanges of both the chiefly rivaling stock market exchanges nationwide, BSE & NSE.

5. WEIGHING THE FINE SIDE OF THE MERGER

Two major competing international exchanges deciding to merge lead us to believe that the scale is massively leaning towards the advantageous side. Following are the benefits both ends of the ribbon could receive by cutting the ribbon of merger between them-

i. Magnified reach of the international market- This merger could lead to the opening of an accessway for international companies eager to enter and profit from Indian markets to have better liquidity and receive a better and fair valuation for their share prices. It will also lead to opening of the Indian international exchange market to better world rankings and reputation, and further, open the prospects of capital flow and investments from across the borders.

ii. Breeze walking the trade process- With two biggest international exchanges of India setting up a merger front, it could help foreign companies breeze walk through the process of registration and fulfilling other compliances with the exchanges. Harmonization of work process would make it easier for international companies to venture into Indian market. Stability, instead of unnecessary and inefficient competition, can be offered.

iii. United resource provision- With the union of exchanges, knowledge resources of India's biggest and India's oldest exchanges could be combined in a way and could provide effective cost reduction and productive opportunities to both domestic as well as international partakers.

iv. Liquidity boost[16]- With the introduction of the merger, a diversified range of investment opportunities will become available to domestic investors. As a result, trading volumes are expected to increase, leading to greater nationwide participation on the merger exchange platform, and enhanced liquidity. This

15 "Five things you must know about NSE's IFSC Exchange in GIFT City", *Economic Times,* June 6, 2017, *available at:* <https://m.economictimes.com/markets/stocks/news/five-things-to-know-about-nses-ifsc-exchange-in-gift-city/how-is-bses-india-inx-doing/slideshow/59012015.cms> (last visited on October 12, 2023).

16 Rajinder S. Aurora, Kavita Shetty, *Mergers and Acquisitions* (Oxford University Press, Oxford, 2011).

boosted traffic on international investment and provision of better liquidity to international companies would fulfil the aim of IFSC for suggesting a merger and give Indian Exchange an elevated global rank and repo in the international grounds.

Despite its advantageous position, the merger could also be faced with a few challenges enumerated as under-

i. Approvals & Cost- For the merger of these two exchanges operating on an international scale, numerous internal and external approvals will be required, including those from the government, SEBI, NCLT, and other regulatory bodies. This process will demand significant time and financial investment from both exchanges. CCI's major work is to ensure a monopoly isn't formed in a particular sector and all the power and resources don't rest with one dominant player, but the merger of these two will lead to this result, and thus, the possibilities of the merger being put on pedestal for questions at every instance, by every authority, while giving it an approval is higher.

ii. Identity Lost & Pertaining Risk- The risk when whole of the international exchange market is at stake will be much higher and could lead to a total collapse of the exchange market if the merger fails, and as NSE and BSE both hold a significant identity themselves, the hit of loss of identity to both in the international rankings and market would be a harder bridge to cross.

iii. Operational diversity- Being two very different and rivaling stock exchanges, they stipulate their work procedure differently and a merger could mean rehaul and synchronizing of every work-related action. To avoid prolonged rivalry and ensure the long-term success and stability of the merger, compromises from the both parties will be necessary.

6. ROLE OF REGULATORY BODIES IN MERGER

6.1 NCLT, MCA, Income Tax Act, SEBI's Role

Merger[17] is governed under Section 230 to Section 240[18][19] of the Companies Act,

17 Ministry of Corporate Affairs, India, *available at:* www.mca.gov.in/content/mca/global/en/data-and-reports/reports/other-reports/report-company-law/mergers-and-acquisitions.html, (last visited on October 12, 2023).

18 Avtar Singh, *Company Law* (Eastern Book Company, 2018, 17th edn.).

19 SS. Gulshan and GK. Kapoor, *Business Law including Company Law* (New Age International Private Limited, 2005, 12th edn.).

2013[20] and as stipulated, NCLT[21], which operates under the administrative control of MCA, is the judicial body that governs the merger. Once the approval has been given to the company by its creditors as well as shareholders, the company can then take the process forward and file an application to the NCLT for approval. Further, the NCLT after making certain that all the due legal requisites have been duly fulfilled, it ensures that no third party interest is being put at stake. It then holds hearings to stroll through all the objections being raised by all the involved stakeholders and issues an order approving the merger. After the requirements of NCLT are fulfilled, the approval process moves ahead to the primary regulatory authority, Ministry of Corporate Affairs, application and required documents including NCLT's approval order, is filed with the Registrar of Companies. MCA casts an eye that all the legal requirements and the legal framework as stipulated under the Companies Act, 2013 are fulfilled, both before and after the approval of the merger. Other regulatory bodies such as SEBI and CCI also look over mergers, by ensuring that the interest of investors is not being undermined, and that the merger is in no way harming the market competition in the country's economy.

The obtaining of approval from NCLT involves various steps which makes it a tedious and an expensive process. The BSE INX and NSE IFSC merger already involves two very big business coming together IFSCA has suggested that the merger be directly governed by Ministry of Corporate Affairs instead of NCLT which will be a big leap for the merger if this is approved and the benefits could be reaped earlier without resource annihilation. But on the other hand, crossing over the approvals and operational approval process of NCLT, exclusively for this particular merger, which could also result in monopolization of power, could lead to a few under the table deals.

a. Merger Within the Ambits of Competition Act

CCI is the regulatory body formed under the Competition Act which ensures that market competition is not harmed and monopoly power is not rested within one hand due to merger (referred to as combination), and as in the merger of India's two of the most used international trading platform's is in question, the regulatory body's role will actively come into play. To look over the same, certain sections have been stipulated in the act. Section 5[22] lists down as to what constitutes a 'combination' and as the merger of NSE IFSC and BSE INX falls within it, thus, it must be brought forward before the commission for the approval. On the other hand, Section 6[23] goes on to state how such combinations

20 The Companies Act, 2013 (Act 18 of 2013), ss. 230 to 240.

21 National Company Law Tribunal, *available at* https://nclt.gov.in/ (last visited on October 5, 2023).

22 The Competition Act, 2002 (Act 12 of 2003), s. 5.

23 The Competition Act, 2002 (Act 12 of 2003), s. 6.

formed will be regulated as well as describes the procedure of notifying the commission regarding a proposed merger under which the merger will be notified to CCI for approval[24]. After submission regarding the approvals of the following merger have been made to the commission by both NSE and BSE, the commission can either under Section 31[25] pass an order requiring modification, or approving or disapproving the specified merger. CCI as a governing body has been given power to conduct a detailed inquiry into the proposed formation of combination, such as the present case that involves high stakes, to ensure that there is an absence of discrepancies if it believes that the merger could have a degrading effect on the market under Section 20[26] and as it is speculated that if the ribbon of this merger cuts, then either it can skyrocket in the market but the existence of other possibility of the merger failing and then being a big blow to the Indian international stock market cannot be brushed off, thus CCI's role in ensuring that the present market is not harmed will be crucial. Ensuring that abuse of dominant position will not be made by the merging entities in the coming future is another obstacle in CCI's way of giving a green signal to the merger to move ahead. Procedure of investigating such mergers have been stipulated under Section 29.[27]

6.2 Income Tax Act & UNICITRAL Regulations

The Income Tax Act also defines Amalgamation under Section 2 (1B)[28] and deals with merger and various taxes levied on it. The entity formed after merger is considered taxable entity under the act and will have to comply with all the provisions of the act. When the entities merge shareholders of both the international exchanges may receive shares or a form of consideration which will be governed by the act. Since these entities individually, and subsequently after the merger, will engage in international transactions, they must consider Double Taxation Avoidance Agreements. IFSCs benefit from certain tax advantages under the act, and the merged entities will need to assess how these regulations will apply to their operations.

UNICITRAL's principles will also indirectly affect on the merger, if any international dispute arises because of it, and if the merged entity involves themselves in across the border trading, then global standards will have to be complied with.

24 Vinod Dhall (ed), *Competition Law Today: Concepts, Issues and the Law in Practice* (Oxford University Press, Oxford, 2019, 2nd edn.).

25 The Competition Act, 2002 (Act 12 of 2003), s. 31.

26 The Competition Act, 2002 (Act 12 of 2003), s. 20.

27 The Competition Act, 2002 (Act 12 of 2003), s. 29.

28 Income Tax Act, 1961 (Act 43 of 1961), s. 2(1B).

7. IMPLICATIONS OF MERGER

7.1 International Implications

The merger of international exchanges in India would not only have an aftermath on the national but the international market as well. Both the exchanges though have not been ranked too high internationally, a merger could give a substantial rise to liquidity and trading volumes on the platforms. It can further help give their rankings a boost and as a resultant of which, India, a developing nation, could acquire itself a reputation internationally. Gujarat, already strategically working towards establishing itself as the financial capital of India, would further attract investments from around the world.

a. Traders & Investors

It is necessary for NSE IFSC and BSE INX's merger to take place in order for the combined exchange to function as a competitor to foreign exchanges such as the ones in Dubai, Singapore, and Hong Kong. The IFSCA debates on this will be important and have a significant impact on the traders especially since revisions to the 2013 Companies Act have been suggested. Additionally, trading exchange operates in Singapore, India, and the US. However, the NSE exchange in Singapore is very well-liked, and the volumes of the Singapore NIFTY are practically identical to that of India. By integrating its two largest exchanges in GIFT City, the Government of India hopes to attract the significant volume that is now traded outside of its borders and to up the ante in the global market.[29] Foreign traders, NRIs, and Indian merchants who use LRS are encouraged to use this platform and receive the designated benefits. Security Transaction Tax (STT), stamp duty, and income tax are not yet applicable to those who trade on these exchanges and make gains. Residents can easily and conveniently trade and invest in international stocks at GIFT City using the India INX and the NSE IFSC platforms. For the week ending July 7, data provided by Bloomberg show that the average number of open contracts for the main product traded on NSE International Exchange was 32,934. It is less than the 60,884 futures contracts that were traded on Singapore Exchange Ltd. during the first five trading days of April, May, and June. There will be a considerable increase in the volumes at GIFT Nifty if the merger proceeds as expected. In addition to future contracts, an integrated platform can offer overseas investors other products including currency derivatives. An addition of global stocks through this merger is a key move that will attract additional investment

29 "BSE NSE may merge international units at GIFT IFSC", *The Hindu- Business Line*, July 17, 2023, *available at*: <www.thehindubusinessline.com/markets/bse-nse-may-merge-international-units-at-gift-ifsc/article67087338.ece> (last visited on October 4, 2023).

into the region from investors looking for contracts with a strong emphasis on liquidity and investability. The merger may also lead to a rise in trading activity, which increases prices. The stock price of the newly merged exchanges is typically higher than the price of the stocks of each underlying exchange when the merger procedure is complete. The intent behind this merger towards the investors is to create synergies and save costs. The merger would mean that the two exchanges no longer compete in the same business. Having to manage a combined trading platform will benefit brokers as well. This idea will provide a unified platform for investors, and it will also prevent the liquidity pool from splitting up.

7.2 Indian Economy

International stock exchanges lead to a transmission of money cross borders and anywhere money tends to travel between individuals, aspects of a nation's economy are effected such as National Income, Forex, and Taxes etc. Presence of trade on international exchanges attracts not just domestic resident investors to entrust their money with companies outside India[30] but also channels the stream of benefit to companies present within the nation that have landed themselves on NSE IFSC and BSE INX to attract foreign investments and this leads to domestic companies receiving a huge chunk of capital for the flourishment of their companies, this as a result grows the economy of India by affecting the exchange rate movements affirmatively. India's foreign exchange reserves, backing the value of rupee in the international market, stand at $601.45 billion and this reserve will significantly boost international capital investment with the merger which could imply India's substantial self-dependency to import necessities for capital investment in the growth of infrastructural assets in the nation without taking external help of any other nation. In the times when the country could be presented with a situation of market downfall or recession, RBI could come to the rescue with this foreign exchange reserves to stabilize the economy. The reserve position of the nation in IMF that acts as a buffer for any potential economic shock could be improved. Loans taken from international communities could easily be sorted out, contributing to glorifying India's overall economy situation in the world. With a population of more than 140 crore and an employment rate of 45.20%, foreign investment could amplify job creation and increase the national income, improving the nation's economic landscape. A fluid market situation will keep the money flowing instead of a creation of a situation of unintentional hoarding through investments that are stuck in the middle and leading to low cash flow in the economy.

As a result of increased trading on the merged trading platform, aggregate demand

30 Rahul Saraogi, *Investing in India: A value investor's guide to the biggest untapped opportunity in the world* (WILEY, 1st edn.).

and business revenue will skyrocket when investments are scaling upwards, which in turn causes an upward turn of the chart of national income, the four pillars of economic growth-land, labour, capital and entrepreneurship will also be stimulated which will fortify the economy against the developed capitalistic nations from substantially affecting our foreign policy decisions. International participation will surge government revenue, which in turn, in a nation practicing and swinging between a combination of capitalism and socialism will be used for public welfare and infrastructural development.

8. CONCLUSION

The merger of substantial stock exchanges, like the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), through their international subsidiaries, represents a multifaceted and intricate undertaking. It is necessary for the NSE IFSC and BSE INX merger to take place in order to compete with global exchanges such as those in Dubai, Singapore, and Hong Kong. By integrating its two largest exchanges in GIFT City, the Government of India hopes to draw the substantial volume that is now traded outside of its borders and to raise the stakes in the international market. It is being seen that to make this proposed merger a success, centre is considering letting this merger be reviewed by the Ministry of Corporate Affairs' adjudicating authority rather than NCLT, which can speed up the process.

The advantageous aspects of the merger somewhat outweigh other aspects and benefits both the international exchanges as well as the nation. This merger may pave the way for foreign firms wanting to participate and to profit from Indian markets, by providing them with more liquidity and a fair valuation of their stock prices. This would precisely lead the International exchanges to hold a better world ranking and reputation, and further, it will open the prospects of capital flow and investments from across the borders. By providing knowledgeable resources, it could offer both domestic and foreign participants efficient cost reduction and productive potential. With the increase in trading volume, the liquidity will also boost. Apart from the advantages, a few challenges may also arise, such as obtaining numerous company clearances, as well as government, SEBI, NCLT, and other regulatory approvals, which will require significant time and financial investment. Additionally, the significance of their identity may be challenged.

Once the merger is concluded, it will stand in need of maintaining business continuity, by concentrating on integrating systems and processes seamlessly. It undoubtedly will have to adjust the management and governance structures as necessary. Through this merger, the

most affected class will be the stakeholders, making it critical to create a communication plan to inform the public, customers, and other stakeholders about the merger. Stakes of maintaining a good image to ensure a boost in share prices and for creating a benefiting situation, public relations will be nucleus of the merger. Constant vigilance and the reporting progress to the regulatory authorities is a must and will be expected to be done. There is a hunch of optimism that this merger would be well received and that the price of listed equities of these NSE and BSE worldwide subsidiaries will rise and truly serve the aim of the merger.

With the reputation of being historically known as “sone ki chidiya” to a nation still finding its footing in the capital flourished economic world, the merger could work as a firework of celebration of a pathway to a golden economy.