# Social Stock Exchange (SSE)

## Why in news?

The National Stock Exchange of India received the final approval from the markets regulator Securities and Exchange Board of India (SEBI) to set up a Social Stock Exchange (SSE).

## What is a Social Stock Exchange?

- The SSE would function as a separate segment within the existing stock exchange and help social enterprises raise funds from the public through its mechanism.
- It would serve as a medium for enterprises to seek finance for their social initiatives, acquire visibility and provide increased transparency about fund mobilisation and utilisation.
- Retail investors can only invest in securities offered by for-profit social enterprises (FPSEs) under the Main Board.
- In all other cases, only institutional investors and non-institutional investors can invest in securities issued by SEs.

## What about eligibility?

- **Social Intent –** Any non-profit organisation (NPO) or FPSEs that establishes the primacy of social intent would be recognised as a social enterprise.
- Those recognised will make it eligible to be registered on the SSE.
- **Dependent on Corporates –** NPOs that are dependent on corporates for more than 50% of its funding are considered ineligible.

## How do NPOs raise money?

- **Zero Coupon Zero Principal (ZCZP) –** NPOs can raise money either through issuance of ZCZP instruments from private placement or public issue, or donations from mutual funds.
- ZCZP bonds differ from conventional bonds in the sense that it entails zero coupon and no principal payment at maturity.
- The minimum issue size is presently prescribed as Rs 1 crore and minimum application size for subscription at Rs 2 lakhs for ZCZP issuance.
- The NPO may choose to register on the SSE and not raise funds through it but via other means, however, they would have to make necessary disclosures about the same.

## What about on completion of projects?

- **Development Impact Bonds –** It is another structured finance product available for NPOs.
- Upon the completion of a project and having delivered on pre-agreed social metrics at pre-agreed costs/rates, a grant is made to the NPO.
- The donor who makes the grant upon achieving the social metrics would be referred to as **Outcome Funders**.
- Since the payment above is on post facto basis, the NPOs would have to also raise money to finance their operations.
- This is done by a **Risk Funder** who alongside enabling the financing of operations on a pre-payment basis, also bears the associated risk with non-delivery of social metrics.

## How do FPOs raise money?

- For-Profit Enterprises (FPEs) need not register with social stock exchanges before it raises funds through SSE.
- However, it must comply with all provisions of the ICDR Regulations when raising through the SSE.
- It can raise money through issue of **equity shares** to an **Alternative Investment Fund** including Social Impact Fund or issue of debt instruments.

## What disclosures need to be made?

- **Annual impact report –** SEBI's regulations state that a social enterprise should submit an annual impact report in a prescribed format.
- The report must be audited by a social audit firm and has to be submitted within 90 days from the end of the financial year.
- **Money raised –** Listed NPOs, on a quarterly basis, are specifically required to furnish details about the money they have raised category-wise.

**References**


1. The Hindu | Combining social welfare and capital markets through SSE
2. News 18 | What Is Social Stock Exchange?



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