



Social Stock Exchange

For Prelims: National Stock Exchange, SEBI's ICDR Regulations, 2018, Zero Coupon Zero Principal (ZCZP) Instruments, Development Impact Bonds.

For Mains: Features of the Social Stock Exchange (SSE).

Why in News?

[National Stock Exchange of India](#) received final approval from SEBI to set up the **Social Stock Exchange (SSE)**.

What is a Social Stock Exchange?

▪ About:

- 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 \(SEs\)](#) **under the Main Board.**
 - In all other cases, **only institutional investors and non-institutional investors** can invest in securities issued by SEs.

▪ Eligibility:

- Any **non-profit organisation (NPO)** or **for-profit social enterprise (FPSEs)** that establishes the primacy of social intent would be recognised as a SE, which will make it eligible to be **registered or listed on the SSE.**
- 17 plausible criteria under [SEBI's ICDR Regulations, 2018](#) include **servicing to eradicate hunger, poverty, malnutrition, promoting education, employability, equality, and environmental sustainability** among others

▪ Ineligibility:

- Corporate foundations, political or religious organisations, professional or trade associations, infrastructure and housing companies (except affordable housing) would not be identified as SE
- NPOs would be deemed **ineligible if dependent on corporates for more than 50% of its funding.**

▪ NPO Money Raising:

- NPOs can raise money either through issuance of [Zero Coupon Zero Principal \(ZCZP\) 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.**
 - For ZCZP issuance, the minimum issue size is presently prescribed as **Rs 1 crore and minimum application size for subscription at Rs 2 lakhs.**
- Also, **Development Impact Bonds** are available upon completion of a project and

delivered on pre-agreed social metrics at pre-agreed costs/rates.

▪ **FPSE Money Raising:**

- FPEs **need not register with SSE** before raising funds through SSE.
- It can raise money through issue of equity shares or issuing equity shares to an **Alternative Investment Fund including Social Impact Fund** or issue of debt instruments.

UPSC Civil Services Examination Previous Year Question (PYQ)

Q. With reference to the Indian economy, consider the following statements: (2020)

1. 'Commercial Paper' is a short-term unsecured promissory note.
2. 'Certificate of Deposit' is a long-term instrument issued by the Reserve Bank of India to a corporation.
3. 'Call Money' is a short-term finance used for interbank transactions.
4. 'Zero-Coupon Bonds' are the interest bearing short-term bonds issued by the Scheduled Commercial Banks to corporations.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 4 only
- (c) 1 and 3 only
- (d) 2, 3 and 4 only

Ans: (c)

Exp:

- Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note and held in a dematerialized form through any of the depositories approved by and registered with SEBI. Hence, statement 1 is correct.
- Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note, for funds deposited at a bank or other eligible financial institution for a specified time period. CDs can be issued by (i) scheduled commercial banks excluding Regional Rural Banks (RRBs) and Local Area Banks (LABs); and (ii) select all-India Financial Institutions (FIs) that have been permitted by RBI to raise short-term resources within the umbrella limit fixed by RBI. **Hence, statement 2 is not correct.**
- Call money is a short-term, interest-paying loan from 1 to 14 days made by a financial institution to another financial institution. Hence, statement 3 is correct.
- A **zero-coupon bond is a debt security that does not pay interest** but instead trades at a deep discount, rendering a profit at maturity, when the bond is redeemed for its full face value. **Hence, statement 4 is not correct.**
- **Therefore, option (c) is the correct answer.**

[Source: TH](#)