

Social Stock Exchange (SSE)

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Context- SEBI granted final approval to the National Stock Exchange of India to establish the Social Stock Exchange (SSE).

A social stock exchange: what is it?

About:

- Social enterprises would be able to use the SSE's mechanism to raise public funds as a separate segment of the existing stock exchange.
- It would be a platform through which businesses could seek financing for their social initiatives, gain visibility, and increase transparency regarding the mobilization and utilization of funds.
- Securities offered by for-profit social enterprises (SEs) listed on the Main Board are only available to retail investors.
- Securities issued by SEs can only be purchased by institutional and non-institutional investors in all other circumstances.

Eligibility:

- Any non-profit organization (NPO) or for-profit social enterprise (FPSE) that prioritizes social impact will be considered a social enterprise (SE), making it eligible to be registered on the SSE or listed there.
- Serving to eradicate hunger, poverty, and malnutrition, promoting education, employability, equality, and environmental sustainability are among the 17 plausible criteria outlined in SEBI's ICDR Regulations, 2018.

Ineligibility:

- SE Non-Profit Organizations (NPOs) would not be considered eligible if they depend on corporations for more than 50% of their funding. This excludes political or religious organizations, professional or trade associations, infrastructure companies, and housing companies (with the exception of affordable housing).

Fundraising for Non-Profit Organizations:

- Donations from mutual funds or the issuance of Zero Coupon Zero Principal (ZCZP) Instruments from a private placement or public issue are two ways in which non-profit organizations can raise funds.
- In contrast to conventional bonds, ZCZP bonds have no coupon and no principal payment at maturity.
- Currently, the minimum size for ZCZP issuance is Rs 1 crore, and the minimum size for subscription applications is Rs 2 lakhs.
- Additionally, Development Impact Bonds can be obtained following the completion of a project and are delivered in accordance with predetermined social metrics at predetermined costs and rates.

Raising Money for FPSE:

- Before using SSE to raise funds, FPEs do not need to register with SSE.
- It can issue equity shares, equity shares to an Alternative Investment Fund, such as the Social Impact Fund, or debt instruments to raise funds.