

Social stock exchange

May 11, 2021

In news: Technical group (TG) on Social Stock Exchanges (SSE) constituted by SEBI has submitted its report.

Highlights of the report-

- The **corporate foundations, political and religious organisations, professional or trade associations, infrastructure and housing companies** (except affordable housing) should be made **ineligible to raise funds** using the SSE mechanism.
- Both for-profit (FP) and not-for-profit organisations (NPO) should be allowed to tap the SSE provided they are able to demonstrate that social intent and impact.
- The panel has recommended **different instruments of fundraising** for NPOs and FPOs- equity, zero coupon zero principal bond (ZCZP), development impact bonds, social venture fund (SVP) and donations by investors through mutual funds.
- It recommended that the **minimum corpus size** for such funds be **reduced from Rs 20 crore to Rs 5 crore** and the **minimum subscription amount** be **reduced from Rs 1 crore to Rs. 2 lakh**.
- The **capacity building fund** for SSE should have a corpus of **Rs 100 crore** and this fund should be housed under Nabard.
- Entities on SSE shall disclose **social impact (for NPOs and FPEs) report on an annual basis** covering aspects such as strategic intent and planning, approach, impact score card.
- It has drawn a list of **broad activities based on those identified by Niti Aayog** under [sustainable development goals](#) that SEs can engage in.
- These include *eradicating hunger, poverty malnutrition and inequality; promoting gender equality by empowerment*

of women and LGBTQIA+ communities; training to promote rural sports; slum area development and affordable housing.

What is an SSE?

- An SSE allows the listing of non-profit or non-government organisations on stock exchanges, providing them with an alternative fund-raising structure.
- Cancer Fund by HDFC Mutual Fund is one example.
- It **may be listed on BSE or NSE.**
- Countries like the UK, Canada and Brazil have SSEs.
- The SSEs will aim at unlocking large pools of social capital, and encourage blended finance structures.
- The SSE shall be a **separate segment under the existing stock exchanges.**
- Investment by companies will be considered as part of their Corporate Social Responsibility (CSR) initiatives.
- The proposal to set up SSEs in the country was first floated during the Union Budget in 2019.
- In September 2019, SEBI constituted a working group (WG) under the chairmanship of Tata group veteran Ishaat Hussain.
- In September 2020, Sebi set up the TG as it felt further expert advice and clarity was needed on the WG's recommendation