

Social stock exchange

December 27, 2022

In news– The National Stock Exchange of India (NSE) has received in-principle approval from the SEBI to set up the Social Stock Exchange as a separate segment of the NSE.

What is the Social Stock Exchange (SSE)?

- An SSE allows the listing of non-profit or non-government organisations on stock exchanges, providing them with an alternative fund-raising structure.
- Setting up the SSE is on the lines of a proposal made by the government in the Union Budget of 2019-20 (April-March) to create a platform for listing social enterprises and voluntary organisations.
- Through this exchange, such **organisations can raise capital through equity or debt instruments**.
- Peer BSE had received in-principle approval for setting up an SSE in October.
- To enable fundraising for not-for-profit organisations, the government had announced **a new security called “zero coupon zero principal”** under the Securities Contracts Regulations Act.
- This instrument can be publicly or privately issued by these organisations upon registering with SSE to raise funds.
- **Currently, the regulations allow minimum issue size as Rs 1 crore and minimum application size for subscription at Rs 2 lakh.** Subscription to this instrument would be like a philanthropic donation.
- **SSE provides a unified funding channel to listed social enterprises** that are at the bottom of the socio-economic pyramid.
- The **concept gained momentum, particularly in India during the pandemic**, as the need for social capital for enterprises and voluntary organisations became essential.

- **Countries like Brazil, Portugal, South Africa, the UK, Canada and Singapore already have established Social Stock Exchanges.**