



Vision

"To be a global leader in promoting good corporate governance"

Motto

सत्यं वद। धर्मं चर। इष्टं कुरु तन्मार्गं. बोधेद ह्यु कुरु।

Mission

"To develop high calibre professionals facilitating good corporate governance"

Zero Coupon Zero Principal Instrument

Normally, a zero-coupon bond does not pay interest to the holder. Zero-coupon bonds are purchased at a deep discount to face value but are repaid at full face value (par) at maturity. The difference between the purchase price of a zero-coupon bond and its par value indicates the investor's return.

In context of Social Stock Exchange, a zero coupon zero principal instrument ("ZCZP") are not stocks or bonds but is a financial instrument issued by a not-for-profit organization, registered under the social stock exchange segment, in compliance with the Regulations and circulars issued by Securities and Exchange Board of India (SEBI). It can only be issued for a specific project or activity that qualifies as one of the eligible activities outlined in Regulation 292E of SEBI (ICDR) Regulations, 2018, and must adhere to a designated project duration. ZCZP instruments do not provide fixed interest or repayment returns, but they do promise a social return to the funder. Additionally, a minimum subscription of 75% of the proposed funds to be raised through the issuance of Zero Coupon Zero Principal Instruments must be achieved.

Key Features

- These financial instruments allow non-profit organizations (NPOs) to raise funds that are listed on the social stock exchange. Typically, NPOs secure funding through donations or corporate social responsibility (CSR) initiatives from individuals and companies. Those interested in supporting NPOs can purchase these securities on social stock exchanges.
- ZCZP instruments are structured similarly to bonds. In a traditional bond, the issuer is required to make interest and principal payments upon maturity. However, since ZCZP instruments are issued by organizations seeking donations rather than loans, the issuing entity does not have to pay interest (zero coupon) or return principal (zero principal).
- ZCZP instruments from NPOs are designated for specific projects or activities and must be completed within the timeframe outlined in the fundraising documents. In 2022, the Central Government (Ministry of Finance) recognized Zero Coupon Zero Principal instruments as securities under the Securities Contracts (Regulation) Act, 1956.

Issuance of ZCZP Instruments

- As per Regulation 292I of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018:
- ZCZP Instruments can only be issued by a not-for-profit organization registered on a social stock exchange and must have a specific tenure.
- ZCZP Instruments shall be issued without any coupon and no principal amount shall be payable at maturity.

Eligibility for issuance of ZCZP Instruments

- As per Regulation 292J of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018:
- A Social Enterprise which is a not-for-profit organization registered with a Social Stock Exchange may issue ZCZP Instruments and list them on such SSE.
- The not-for-profit organization can issue ZCZP Instruments solely for a specific project or activity, which must be completed within the timeframe outlined in the fundraising document. This project or activity must fall under the eligible activities specified under Regulation 292E of these Regulations.

Procedure for public issuance of ZCZP Instruments

- (1) Zero Coupon Zero Principal Instruments shall be issued in dematerialized form only.
- (2) The Zero Coupon Zero Principal Instruments shall not be transferable from the original subscriber/ holder till the expiry of the tenure of the said instrument.
- (3) The minimum issue size shall be rupees fifty lakhs.
- (4) The minimum application size shall be rupees ten thousand.
- (5) The minimum subscription required to be achieved shall be 75% of the funds proposed to be raised through issuance of Zero Coupon Zero Principal Instruments.
- (6) In case of any under subscription, the not-for-profit organization shall, in the fund-raising document, provide details on the following:
 - a) manner of raising balance capital in case of such under subscription between 75% and 100%;
 - b) possible impact on achieving the social objective(s) in case such under subscription is not arranged.However, the funds shall be refunded in case the subscription is less than 75% of the issue size
- (7) The Social Stock Exchange shall maintain the details of the allotment pursuant to issuance of Zero Coupon Zero Principal Instruments by a not-for-profit organization.
- (8) The Social Stock Exchange shall specify the additional norms in respect of issue procedure

Procedure for private issuance of Zero Coupon Zero Principal Instruments

- (1) The Not-for-Profit Organization registered on a Social Stock Exchange, may also make private issuance of Zero Coupon Zero Principal Instruments to Social Impact Fund(s) registered under the applicable provisions of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations 2012.
- (2) The provisions related to public issuance of Zero Coupon Zero Principal Instruments specified in this Chapter shall mutatis mutandis apply to private issuance of Zero Coupon Zero Principal Instruments to Social Impact Fund(s).

Termination of listing of Zero Coupon Zero Principal Instruments

The listing of Zero Coupon Zero Principal Instruments of a Not-for-Profit Organization on the Social Stock Exchange shall terminate in the following events:

- a) The object for which the funds were raised has been achieved and a certificate to this effect is submitted to the Social Stock Exchange; or
- b) The tenure to achieve the object for which the funds were raised as provided in the fund-raising document has expired.

New

Regulatory Update

SEBI has extended the outer timeline **for FY 2023- 24** for annual disclosures under Regulation 91C (1) and **Annual Impact Report** under Regulation 91E (1) of SEBI LODR Regulations by Social Enterprises on Social Stock Exchange, **upto January 31, 2025**.

Link of the Circular : https://www.sebi.gov.in/legal/circulars/oct-2024/timelines-for-disclosures-by-social-enterprises-on-social-stock-exchange-sse_87387.html
