

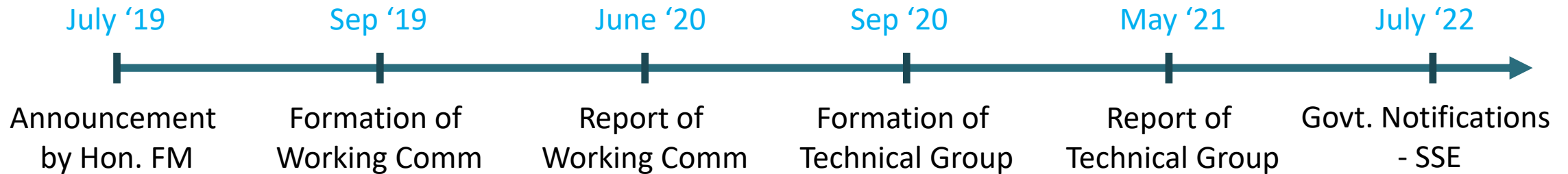
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# BSE

## Social Stock Exchange



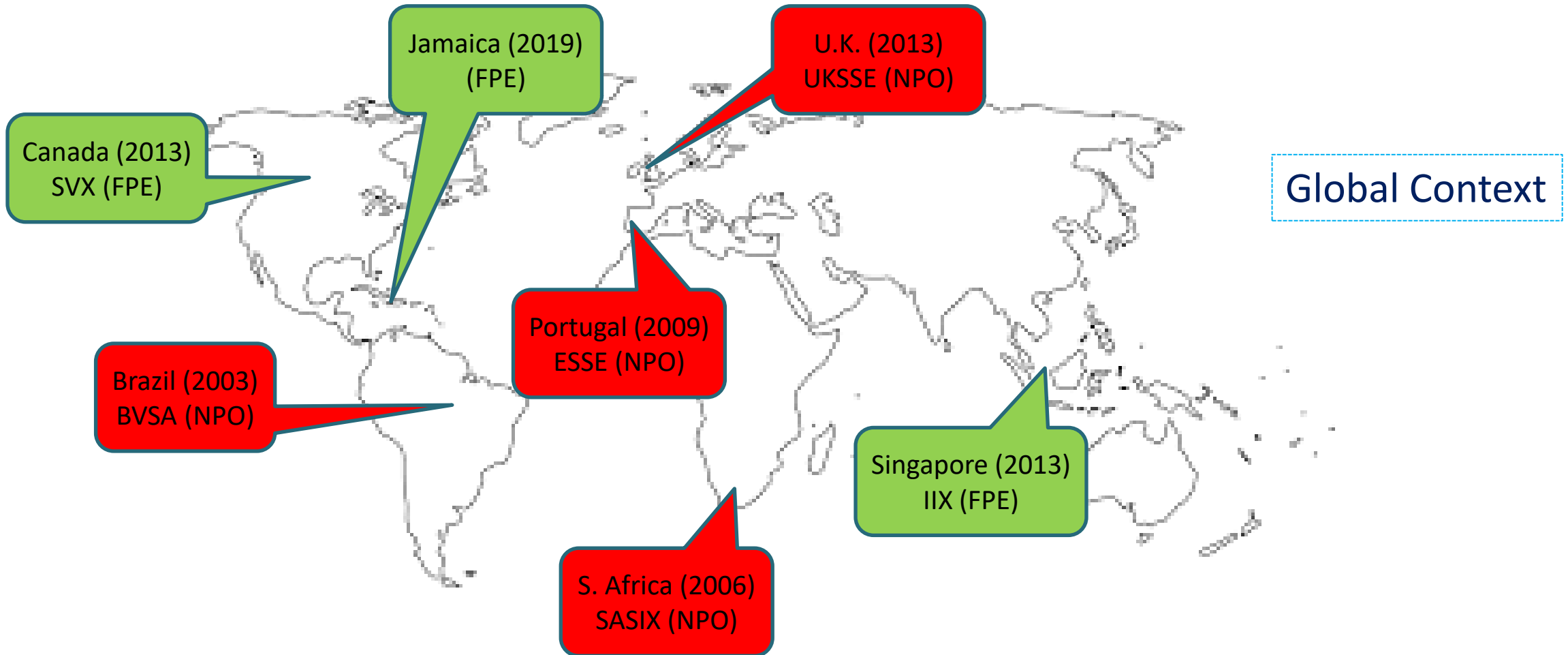
# Background (1/4)



## Announcement by FM on July 5, 2019

It is time to take our capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion. I propose to initiate steps towards creating an electronic fund raising platform – a **social stock exchange (SSE)** – under the regulatory ambit of Securities and Exchange Board of India (SEBI) for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.

# Background (2/4)



### Structural nature of the other Social Stock Exchanges

	Matchmaking	Alternate Investment
Structure	Separate Platform	Separate Platform
Issuers	NPOs or FPEs	FPEs
Trading	None	Limited
Countries	Brazil, South Africa, UK, Canada and Jamaica	Singapore, Jamaica

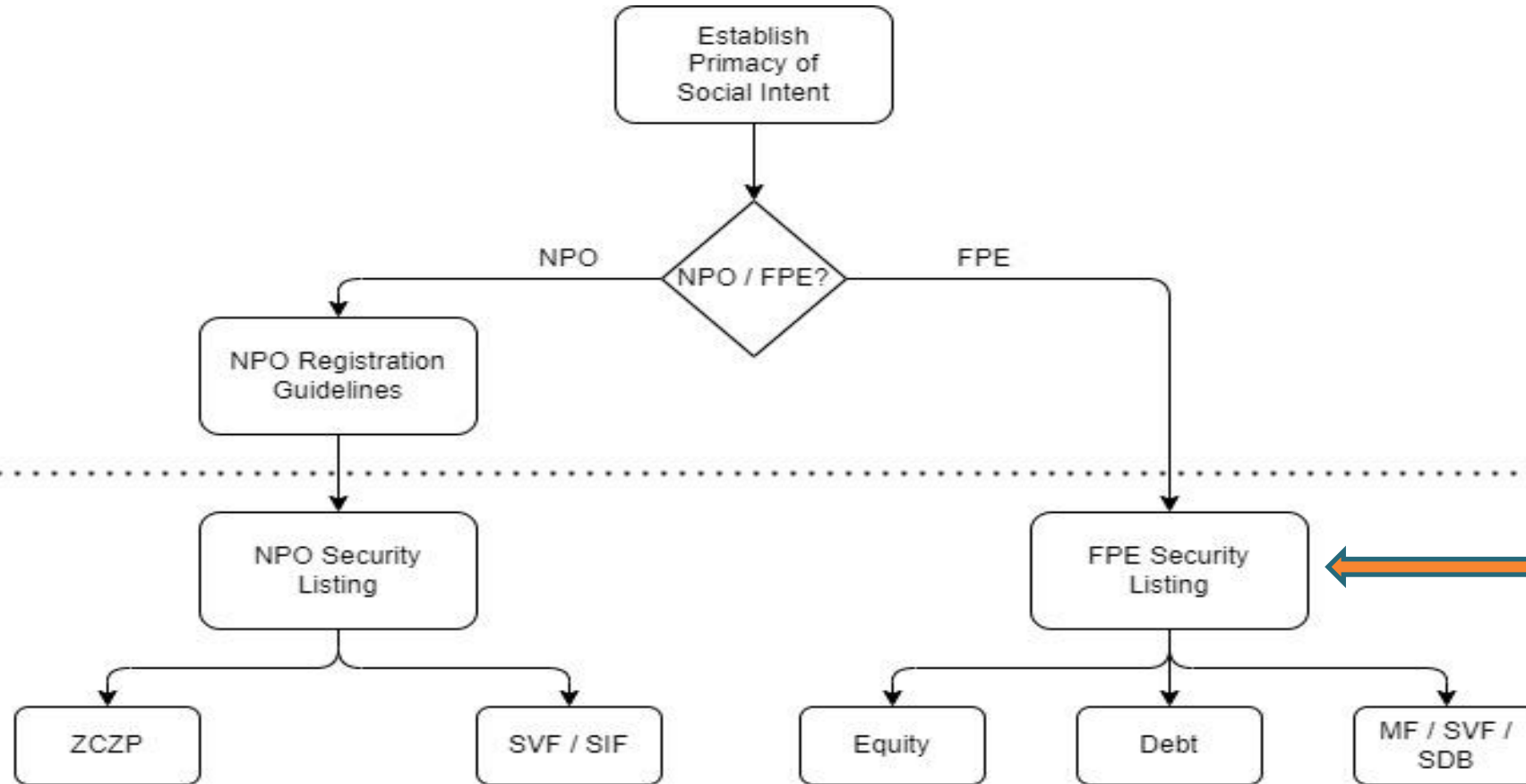
**The Working Committee** – Constituted by SEBI under chairmanship of Sh. Ishaat Hussain. Key recommendations included –

- a. SSE to be a segment under the existing Stock Exchanges, namely, BSE and NSE
- b. Set up a **Capacity Building Fund (CBF)** for to build an ecosystem regarding the SSE
- c. Introduction of **Zero Coupon Zero Principal (ZCZP)** instrument as a method of listing donations/grants on SSE

**The Technical Group** – Constituted by SEBI under chairmanship of Sh. Harsh Bhanwala. Expanded the work done by Working Committee and provided details on the following additional aspects –

- a. Establishing '**Primacy of Social Intent**' as a pre-condition for registering on the SSE
- b. Details of one time and periodic **impact related disclosures** by Social Enterprises registered on the SSE
- c. Formalisation of the role of a '**Social Auditor**' for validation of the impact
- d. Recommendations for altering the attributes of a '**Social Venture Fund**' (SVF)

The Working Committee and the Technical Group sessions included extensive consultations with NPOs, FPEs and Impact Investors, apart from stalwarts from the Social Development sector



FPE Listing takes place in the relevant segment of the Stock Exchange, i.e. Main Board, SME or Startup

- **NPO:** Not for Profit Organization
- **FPE:** For Profit Social Enterprise
- **ZCZP:** Zero Coupon Zero Principal

- **SVF:** Social Venture Funds
- **SIF:** Social Impact Funds

- **MF:** Mutual Funds
- **SDB:** Social Development Bonds

# Establishing Primacy of Social Intent

- Any enterprise (NPO or FPE) seeking to list on the SSE has to first establish that social impact is their primary purpose. The same is done by applying 3 filters –
  - ✓ Areas of focus – 16 broad areas have been identified in line with CSR / SDG goals. *Refer to next slide*
  - ✓ Quantum of Social Work - the enterprise must have at least 67% of their revenue, expenses or beneficiaries coming from the areas of focus
  - ✓ Barred organisations – The following organisations are not permitted to be onboarded onto the SSE –
    - ✓ Those with political or religious affiliations
    - ✓ Corporate foundations
    - ✓ Professional or trade bodies
    - ✓ Infra and housing companies except those in affordable housing cannot get registered on the SSE
  - ✓ Additionally, the enterprise shall target underserved or less privileged population segments or regions recording lower performance in the development priorities of central or state governments

# Eligible areas of Focus

1. *Eradicating hunger, poverty, malnutrition and inequality;*
2. *Promoting health care including mental healthcare, sanitation and making available safe drinking water;*
3. *Promoting education, employability and livelihoods;*
4. *Promoting gender equality, empowerment of women and LGBTQIA+ communities;*
5. *Ensuring environmental sustainability, addressing climate change including mitigation and adaptation, forest and wildlife conservation;*
6. *Protection of national heritage, art and culture;*
7. *Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;*
8. *Supporting incubators of Social Enterprises;*
9. *Supporting other platforms that strengthen the non-profit ecosystem in fundraising and capacity building;*
10. *Promoting livelihoods for rural and urban poor including enhancing income of small and marginal farmers and workers in the non-farm sector;*
11. *Slum area development, affordable housing and other interventions to build sustainable and resilient cities;*
12. *Disaster management, including relief, rehabilitation and reconstruction activities;*
13. *Promotion of financial inclusion;*
14. *Facilitating access to land and property assets for disadvantaged communities;*
15. *Bridging the digital divide in internet and mobile phone access, addressing issues of misinformation and data protection;*
16. *Promoting welfare of migrants and displaced persons;*



# NPO Eligibility Criteria

- Once the “Primacy of Social Intent” requirements have been met, further NPO Registration guidelines include the following eligibility criteria. These are broadly based on Sec 135 of Companies Act 2013.
- Eligibility Criteria –
  - Must be a Society, Trust or Sec 8 Company
  - Have a track record of 3 years
  - Have a valid 12A/12AA/12AB/10 (23C) registration (for at least next 12 months)
  - Have a valid 80G registration
  - Furthermore, the following requirements from a size perspective are also applicable (all figures are for last financial year) –
    - Must have min ₹ 50 lakhs annual spending
    - Must have raised a minimum of ₹ 10 lakhs funds

# NPO Registration Process

- For ease of processing for the NPO and to cut down the turnaround time, BSE has combined the Social Intent check and Registration into one process.
- **Step 1 – Register the interest**
  - This can be initiated by clicking on the register button and filling out the form on our portal (<https://www.bsesocialstockexchange.com>)
- **Step 2 – Access to Listing Portal**
  - Within 2-3 business days, the Exchange shall revert with login details for BSE’s listing portal (<https://listing.bseindia.com/home.htm>). BSE will also provide a checklist of documents to be submitted for registration
  - Log into the listing portal and complete the questions and upload documents and submit the application
  - Pay the registration fees as prescribed
- **Step 3 – Review of documentation**
  - The Exchange will review the documentation submitted and use the listing portal to communicate observations (the initial observations will be communicated within a week's time)
  - Upon successful completion, registration shall be granted.

## Listing of ZCZP instrument

- In order for an NPO to raise funds through a ZCZP instrument, the NPO has to have a valid registration on BSE SSE segment
- The NPO shall write an email to [sse@bseindia.com](mailto:sse@bseindia.com) expressing their interest in raising funds through a ZCZP issuance
- BSE shall respond to the email within 2-3 working days, giving details of documentation required for the ZCZP issue, including the Offer Document template
- The NPO shall furnish the required documentation through the BSE Listing portal
- The Exchange shall review the documentation and revert with any clarifications or changes through the Listing portal
- Upon completion of documentation review process, based on the schedule mentioned in the offer document, the issue will be declared open
- Investors can invest in the ZCZP

Contd...

## Listing of ZCZP instrument contd...

- The following are the key characteristics of the ZCZP issue –
  - Minimum issue size – ₹ 1 Crore
  - Minimum subscription amount – ₹ 2 Lakhs
  - Issue to be in Demat form only
  - Minimum issue subscription required – 75%
- The ZCZP will be deemed terminated under the following circumstances –
  - The object for which the funds were raised has been achieved and a certificate to this effect is submitted to the BSE Social Stock Exchange; or
  - The tenure to achieve the object for which the funds were raised as provided in the fund raising document has expired

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# Social Auditors

- Audit of social impact, i.e. social audit for social enterprises registering and/or raising funds on SSE
- Social Auditors – To be certified by NISM
  - NISM has launched an 11 module course with a certification exam at the end
- SRO for Social Auditors
- Separate Sustainability Directorate under ICAI (ISAI)
  - Functions include empanelment, registration of SAs, laying down standards of professional conduct, suspension/ cancellation of membership of SAs, prescribing a separate Code of Conduct for SAs
  - Framed the Social Audit Standard covering aspects such as scope, engagement acceptance, basic principles, audit procedures, assurance report, documentation etc. ‘
- Standards have been defined by ICAI, ICSI, ICMAI etc.

# Thank You

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