Unlocking CSR via the Social Stock Exchange: A primer for corporate CSR teams

What the amendment says

In May 2026, the Ministry of Corporate Affairs amended the Companies Act, 2013, to enable corporates to channel up to 10% of their annual CSR expenditure in Zero Coupon Zero Principal Instruments issued by registered Non-profits on the Social Stock Exchange.

Zero Coupon Zero Principal instruments are purely philanthropic instruments that provide neither an interest/dividend nor is the principal amount returned to the contributor.

Compliance and regulatory terms

- The 10% expenditure cap: Ensure your contribution to ZCZP instruments does not exceed 10% of your total CSR expenditure in any given financial year. Note that this cap applies to the actual expenditure of that year, not your overall mandatory obligation or budget.
- Impact assessment exemption: Any contribution made to a ZCZP—regardless of the quantum of funding—is entirely exempt from the purview of mandatory impact assessments, even if it breaches the standard ₹10 crore threshold or ₹1 crore project threshold.
- Three-year project timeline: Track projects under a strict 3-year execution timeline. Any funds remaining unspent or unutilized by the Non-Profit Organization (NPO) at the end of three years must be transferred by the NPO directly to a Schedule VII fund.
- Reduced due diligence burden: Listed NPOs are "semi-vetted" by SEBI and the stock exchanges (NSE/BSE). Rigorous regulatory due diligence and reporting requirements are built into the platform, lowering your initial vetting overhead.

Things to keep in mind while planning to invest in the Social Stock Exchange

- Assess strategic fit: Evaluate whether the listed ZCZP instruments match your corporate portfolio's specific outcome metrics, mission-mode goals, and cost-per-beneficiary targets.
- Check available and viable opportunities: Balance expectations around geographic and thematic alignment, as the SSE is in a nascent stage with a limited pool of live, listed opportunities.
- Shift your mindset to an active funder: Build internal milestones, parallel touchpoints, and custom reporting lines with the NPO rather than solely relying on default SEBI disclosures.
- Dual implementation route: Use the SSE as a strategic tool, not a substitute for your existing partnerships. Continue direct implementation with grassroots and mid-tier NGOs.

Frequently Asked Questions

What is the very first operational step a corporate must take to contribute to the Social Stock Exchange (SSE)?

The corporate must open a corporate DEMAT account. Because Zero Coupon Zero Principal (ZCZP) instruments are financial instruments listed on regulated exchanges (like the BSE or NSE), contributions cannot be made via standard direct bank transfers alone; they must flow through a valid DEMAT account held in the individual company's name.

What is the "Minimum Subscription" rule, and why must our CSR team look closely at it before committing funds?

A ZCZP instrument cannot deploy funds unless it meets a strict regulatory threshold. For projects broken down into a per-unit or per-beneficiary cost, at least 50% of the total issue ticket size must be subscribed. For all other projects, 75% must be subscribed. Kindly note, minimum subscription ultimately is subject to SEBI approval.

Recommendation: Always check how close an instrument is to its target before committing funds. If an instrument fails to hit these levels, it runs the risk of failing to launch entirely, meaning your capital will not be deployed. Track public issues here.

Once a corporate subscribes to a ZCZP, what are its immediate compliance reporting requirements?

Once you have contributed to a ZCZP and the instrument goes live, the funds are treated as 100% utilised from a corporate compliance perspective. You can immediately report your CSR contribution as completed for that financial year. There is no further legal mandate or obligation on the corporate to report on the utilisation timeline or undergo mandatory impact assessments for these projects.

What happens if an initiative's objectives are not fulfilled or funds remain unspent at the end of the 3-year timeline? Does the money get returned to the corporate?

No, the money will never be refunded to the corporate. From a compliance perspective, your job ends when the ZCZP goes live. The remaining compliance and execution burden shifts entirely to the Non-Profit Organisation (NPO). If any unutilized funds remain after the strict 3-year project execution timeline, the NPO will directly transfer that money to a Schedule VII approved fund and report the transfer to SEBI. No corporate action is required.

Frequently Asked Questions

Is there any difference in the treatment of FCRA (Foreign Contribution Regulation Act) and non-FCRA funds on the platform?

From a core CSR compliance standpoint, no differentiation is created here. Because the funds are treated as fully utilized once the instrument goes live and capital never flows back to the corporate, typical friction points around tracking these distinctions are mitigated on the exchange.
However, it is important to note that foreign funding in the SSE is not permitted. An Indian company which is a subsidiary of a foreign company may invest in the SSE as long as the investment by the foreign holding company is within the FEMA limits. Branch offices of foreign companies are treated as FCRA funds, and therefore, cannot invest in the SSE.

How can multiple corporates co-fund a single initiative through the SSE?

The ZCZP is designed as an open, highly regulated instrument with a total target ticket size. Multiple corporate CSR contributors can subscribe to the exact same instrument through the exchange. This allows completely different entities to seamlessly pool capital toward a common, large-scale challenge, amplifying the project's reach while reducing ecosystem fragmentation.

Can different companies under the same parent conglomerate pool their CSR funds into a single Corporate Foundation to invest in the SSE?

No. The SSE framework requires individual corporate entities to contribute directly through their own distinct corporate DEMAT accounts to ensure accurate tracking and individual CSR compliance reporting. If you pool funds into a separate corporate foundation first, any subsequent ZCZP transfer will merely reflect the contribution of that foundation, not the parent companies.

Can a corporate-backed foundation or a Section 8 company register on the SSE to raise funds through ZCZPs?

Section 8 companies are eligible to raise funds on the SSE through ZCZP instruments, provided they meet all applicable SSE eligibility criteria.
Corporate foundations that receive more than 50% of their funding from their parent company are not eligible to raise funds through the SSE. Those below this threshold may raise funds through the SSE, subject to meeting all other SSE eligibility criteria.

If the legal reporting burden shifts entirely to the NPO, what role should the corporate play post-investment?

While there is no legal mandate forcing you to perform independent impact assessments, the panel strongly recommends that corporates avoid becoming entirely passive funders. Corporates should maintain active oversight by building internal check-ins and custom reporting lines directly with the implementing NPO. This ensures quality, accountability, and strong long-term visibility on the impact your capital created.