

Social Lens FAQs on the Social Stock Exchange

Q) An organisation is 4 years old and has received funding of Rs. 7 lakhs in the previous year, but has received Rs. 30 lakhs in the year before the previous year. Is the organisation eligible to register on the Social Stock Exchange (SSE)?

As per the framework released by Securities and Exchange Board of India (SEBI) on the SSE, the age of the NPO wishing to get listed on the exchange must be minimum 3 years and the NPO must have received funding of at least Rs. 10 lakhs in the past financial year. The NPO in question satisfies the first condition since it is 4 years old but it does not satisfy the second condition of having received funding of at least Rs. 10 lakhs in the past financial year. Hence, the organisation is not eligible to register on the SSE.

Q) An organisation's 12AB certificate is up for renewal in the next 9 months. Is the organisation eligible to register on the SSE?

As per the framework released by SEBI on the SSE, an organisation must have a 12AB certificate that is valid for at least for 12 months. Hence, the organisation is not eligible to register on the SSE.

Q) Can Zero Coupon Zero Principal (ZCZP) bonds be traded on the SSE by an initial investor?

Conventionally, a bond that is listed on an exchange is tradable. However, ZCZP bonds have no interest and principal payout and thus have no financial return on the investment for the investor but have a social return on investment. Further clarifications from SEBI regarding tradability of ZCZP bonds is awaited.

Q) An organisation conducts 3 different projects but in the same state/location. Can it raise funds for 3 different projects simultaneously by issuing 3 different ZCZP bonds? Or does it have to raise the money by issuing only one ZCZP bond?

As per SEBI, an NPO may issue ZCZPs instruments only for a specific project or activity. Clarification on the extent of ZCZPs that could be issued by NPOs to raise money for activities, sub-activities or projects is awaited. Given the nature of activities, it might be possible to raise funds for the aforementioned projects simultaneously.

Q) Is there any deadline for an organisation to register on the SSE?

SEBI has released certain pre-listing requirements and a framework on the SSE. All information on SSE is not yet finalised or released. Given the amendments and information available as on date, there is no deadline for an organisation to register on the SSE.

Q) How should an organisation that focuses on the verification of outputs look at assessing impact in order to provide enough proof to investors about the effect that the program has created?

As per the suggestions made by the working group committee and technical group committee, NPOs might need to disclose the impact they have created through impact scorecards or studies highlighting impact over longer periods of time that go beyond immediate short-term outputs and outcomes and include depth, inclusion or overall societal impact.

Q) How can an NPO have an expenditure of Rs. 50 lakhs in the past financial year if it has received funding only of Rs. 10 lakhs in the previous year?

As per the framework released by SEBI, in order to register on the SSE, an organisation must have an annual spending of at least Rs. 50 lakhs in the past financial year and has received funding of at least Rs. 10 lakhs in the past financial year. The two conditions must be viewed independently wherein the framework aims to define NPOs by size and not necessarily on how the funds are utilised. The source of the annual spend could be from the reserves of the NPO or raised in the years before the previous year. Both the conditions need to be satisfied independently for an organisation to register on the SSE.

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