CSR Rules: Zero Coupon Zero Principal Instrument on Social Stock Exchange

SCHEDULE VII: Activities which may be included by companies in CSR Policies	
(xiii)	**Subscription to Zero Coupon Zero Principal (ZCZP) instruments on Social Stock Exchange (SSE)**

(1) **Not for Profit Organization:** NPO has the same meaning as in Regulation 292A (e) of SEBI (ICDR) Regulations, 2018.

(2) **Zero Coupon Zero Principal instrument:** ZCZP means an instrument declared as a security that is issued by a Not for Profit Organization (NPO) registered with the Social Stock Exchange segment of a recognised Stock Exchange in accordance with SEBI regulations.

Rule 4A: CSR Implementation through ZCZP Instrument

(1) A company may carry out CSR activities through ZCZP instrument:

Proviso: CSR Expenditure through ZCZP instrument shall not exceed 10% of Total CSR expenditure for that FY.

(2) The company that has subscribed in a ZCZP instrument shall be EXEMPTED from undertaking "Impact Assessment" of any project funded by such instrument.

(3) The Not for Profit Organization (NPO) issuing the ZCZP instrument and raising fund therefrom shall:

(a) undertake a project with a "duration not more than 3 succeeding FYs" from the issue of ZCZP instrument; and

(b) on termination of Listing of such ZCZP instrument, transfer the unspent amount to any Schedule VII Fund and submit its compliance report to SEBI.

(4) The provisions of Rule 4 on CSR in Collaboration, except sub-rules (5) and (6) shall apply to CSR Implementation through ZCZP Instrument.

Siddharth Sir Explanation:

- **Zero Coupon Zero Principal (ZCZP) Instrument:** It is a special instrument used by Not-for-Profit Organisations (NPOs) to raise money through a Social Stock Exchange (SSE). It looks like a security, but economically it works much more like a donation for a specific social project. SEBI's rules provide that ZCZP instruments have a specified tenure, pay no coupon, and repay no principal at maturity.
- **Minimum Application Size** was reduced by SEBI from ₹10,000 to ₹1,000
- **Social Stock Exchange (SSE):** It is a separate segment of NSE and BSE to connect social enterprises with people or institutions willing to fund social causes.
- **NO trading:** ZCZP is LISTED on the Social Stock Exchange, but NOT TRADED on the Social Stock Exchange.
- **Example**: SGBS Unnati Foundation is the first ZCZP issued on Social Stock Exchange (NSE) in India to raise 1.8 crore for skill development.

Zero Coupon = No Interest	Zero Principal = No Money Back	Only Return = Social Return

© Siddharth Agarwal. All Rights Reserved.