

SECURITIES AND EXCHANGE BOARD OF INDIA**NOTIFICATION**

Mumbai, the 25th July, 2022

SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) (THIRD AMENDMENT) REGULATIONS, 2022

F. No. SEBI/LAD-NRO/GN/2022/90.—In exercise of the powers conferred under section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, namely: -

1. These regulations may be called the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022.
2. They shall come into force on the date of their publication in the Official Gazette.
3. In the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, after Chapter X and before Chapter XI, the following Chapter X-A shall be inserted namely,—

“CHAPTER X-A**SOCIAL STOCK EXCHANGE****Definitions.**

292A In this Chapter, unless the context otherwise requires,—

- (a) “draft fund raising document” means the draft fund raising document filed with a Social Stock Exchange in relation to a public issue of Zero Coupon Zero Principal Instruments by a Not for Profit Organization registered with the Social Stock Exchange;
- (b) “final fund raising document” means the final fund raising document filed with the Social Stock Exchange pursuant to incorporation of observations issued in respect of the draft fund raising document by the Social Stock Exchange;
- (c) “For Profit Social Enterprise” means a company or a body corporate operating for profit, which is a Social Enterprise for the purposes of these regulations and does not include a company incorporated under section 8 of the Companies Act, 2013 (18 of 2013);
- (d) “fund raising document” means the draft fund raising document and the final fund raising document;
- (e) “Not for Profit Organization” means a Social Enterprise which is any of the following entities:
 - (i) a charitable trust registered under the Indian Trusts Act, 1882 (2 of 1882);
 - (ii) a charitable trust registered under the public trust statute of the relevant state;
 - (iii) a charitable society registered under the Societies Registration Act, 1860 (21 of 1860);
 - (iv) a company incorporated under section 8 of the Companies Act, 2013 (18 of 2013);
 - (v) any other entity as may be specified by the Board;
- (f) “Social Auditor” means an individual registered with a self-regulatory organization under the Institute of Chartered Accountants of India or such other agency, as may be specified by the Board, who has qualified a certification program conducted by National Institute of Securities Market and holds a valid certificate;
- (g) “Social Audit Firm” means any entity which has employed Social Auditors and has a track record of minimum three years for conducting social impact assessment;
- (h) “Social Enterprise” means either a Not for Profit Organization or a For Profit Social Enterprise that meets the eligibility criteria specified in this Chapter;

- (i) “Social Stock Exchange” means a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not for Profit Organizations and / or list the securities issued by Not for Profit Organizations in accordance with provisions of these regulations.

Applicability of the Chapter.

292B The provisions of this Chapter shall apply to:

- (a) a Not for Profit Organization seeking to only get registered with a Social Stock Exchange;
- (b) a Not for Profit Organization seeking to get registered and raise funds through a Social Stock Exchange;
- (c) a For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisions of this Chapter.

Access to Social Stock Exchange.

292C A Social Stock Exchange shall be accessible only to institutional investors and non-institutional investors:

Provided that the Board may permit other class(es) of investors, as it deems fit, for the purpose of accessing Social Stock Exchange.

Social Stock Exchange Governing Council.

292D (1) Every Social Stock Exchange shall constitute a Social Stock Exchange Governing Council to have an oversight on its functioning.

(2) The composition and terms of reference for such Governing Council shall be specified by the Board from time to time.

Eligibility conditions for being identified as a Social Enterprise.

292E (1) For the purposes of these regulations, a Not for Profit Organization or a For Profit Social Enterprise, to be identified as a Social Enterprise, shall establish primacy of its social intent.

(2) In order to establish the primacy of its social intent, such Social Enterprise shall meet the following eligibility criteria:-

- (a) the Social Enterprise shall be indulged in at least one of the following activities:
 - (i) eradicating hunger, poverty, malnutrition and inequality;
 - (ii) promoting health care including mental healthcare, sanitation and making available safe drinking water;
 - (iii) promoting education, employability and livelihoods;
 - (iv) promoting gender equality, empowerment of women and LGBTQIA+ communities;
 - (v) ensuring environmental sustainability, addressing climate change including mitigation and adaptation, forest and wildlife conservation;
 - (vi) protection of national heritage, art and culture;
 - (vii) training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
 - (viii) supporting incubators of Social Enterprises;
 - (ix) supporting other platforms that strengthen the non-profit ecosystem in fundraising and capacity building;
 - (x) promoting livelihoods for rural and urban poor including enhancing income of small and marginal farmers and workers in the non-farm sector;
 - (xi) slum area development, affordable housing and other interventions to build sustainable and resilient cities;
 - (xii) disaster management, including relief, rehabilitation and reconstruction activities;
 - (xiii) promotion of financial inclusion;
 - (xiv) facilitating access to land and property assets for disadvantaged communities;

- (xv) bridging the digital divide in internet and mobile phone access, addressing issues of misinformation and data protection;
 - (xvi) promoting welfare of migrants and displaced persons;
 - (xvii) any other area as identified by the Board or Government of India from time to time
- (b) the Social Enterprise shall target underserved or less privileged population segments or regions recording lower performance in the development priorities of central or state governments;
- (c) the Social Enterprise shall have at least 67% of its activities, qualifying as eligible activities to the target population, to be established through one or more of the following:
- (i) at least 67% of the immediately preceding 3-year average of revenues comes from providing eligible activities to members of the target population;
 - (ii) at least 67% of the immediately preceding 3-year average of expenditure has been incurred for providing eligible activities to members of the target population;
 - (iii) members of the target population to whom the eligible activities have been provided constitute at least 67% of the immediately preceding 3-year average of the total customer base and/or total number of beneficiaries.

(3) Corporate foundations, political or religious organizations or activities, professional or trade associations, infrastructure and housing companies, except affordable housing, shall not be eligible to be identified as a Social Enterprise.

Requirements relating to registration for a Not for Profit Organization.

292F (1) A Not for Profit Organization shall mandatorily seek registration with a Social Stock Exchange before it raises funds through a Social Stock Exchange:

Provided that a Not for Profit Organization may choose to register on a Social Stock Exchange and not raise funds through it.

(2) The minimum requirements for registration of a Not for Profit Organization on a Social Stock Exchange shall be specified by the Board from time to time.

(3) The Social Stock Exchange may specify the eligibility requirements for registration of a Not for Profit Organization in addition to the minimum requirements specified by the Board.

Fund raising by Social Enterprises.

292G A Social Enterprise may raise funds through following means:-

- (a) a Not for Profit Organization may raise funds on a Social Stock Exchange through:
 - (i) issuance of Zero Coupon Zero Principal Instruments to institutional investors and/or non-institutional investors in accordance with the applicable provisions of this Chapter;
 - (ii) donations through Mutual Fund schemes as specified by the Board;
 - (iii) any other means as specified by the Board from time to time.
- (b) A For Profit Social Enterprise may raise funds through:
 - (i) issuance of equity shares on the main board, SME platform or innovators growth platform or equity shares issued to an Alternative Investment Fund including a Social Impact Fund;
 - (ii) issuance of debt securities;
 - (iii) any other means as specified by the Board from time to time

Explanation.—Securities issued by For Profit Social Enterprises shall be listed and traded under the applicable segment of the stock exchange with an identifier stating that the scrip is that of a For Profit Social Enterprise and such For Profit Social Enterprises shall meet the eligibility criteria for the main board, SME Platform or innovators growth platform, as applicable, in addition to the criteria provided in this Chapter.

Ineligibility for raising of funds.

292H A Social Enterprise shall not be eligible to register or raise funds through a Social Stock Exchange or Stock Exchange, as the case may be:

- (a) if the Social Enterprise, any of its promoters, promoter group or directors or selling shareholders or trustees are debarred from accessing the securities market by the Board;
- (b) if any of the promoters or directors or trustees of the Social Enterprise is a promoter or director of any other company or Social Enterprise which has been debarred from accessing the securities market by the Board;
- (c) if the Social Enterprise or any of its promoters or directors or trustees is a wilful defaulter or a fraudulent borrower;
- (d) if any of its promoters or directors or trustees is a fugitive economic offender;
- (e) if the Social Enterprise or any of its promoters or directors or trustees has been debarred from carrying out its activities or raising funds by the Ministry of Home Affairs or any other ministry of the Central Government or State Government or Charitable Commissioner or any other statutory body.

Explanation.—The restrictions under clauses (a) and (b) above shall not apply to the persons or entities mentioned therein, who were debarred in the past by the Board and the period of debarment is already over as on the date of filing of application for registration with the Social Stock Exchange or filing of draft fund raising document or draft offer document, as may be applicable, with the Social Stock Exchange or the Stock Exchange or the Board.

Issuance of Zero Coupon Zero Principal Instruments

- 292I (1) Zero Coupon Zero Principal Instruments shall be issued only by a Not for Profit Organization registered on a Social Stock Exchange and shall have a specific tenure.
- (2) Zero Coupon Zero Principal Instruments shall be issued without any coupon and no principal amount shall be payable on its maturity.

Eligibility for issuance of Zero Coupon Zero Principal Instruments.

- 292J (1) A Social Enterprise which is a Not for Profit Organization registered with a Social Stock Exchange may make an issue of Zero Coupon Zero Principal Instruments and list them on such Social Stock Exchange.
- (2) The Not for Profit Organization may issue Zero Coupon Zero Principal Instruments only for a specific project or activity to be completed within a duration specified in the fund raising document:
- Provided that the specific project or activity falls under the list of eligible activities specified under regulation 292E of these regulations

Procedure for public issuance of Zero Coupon Zero Principal Instruments by a Not for Profit Organization

- 292K (1) A Not for Profit Organization shall file the draft fund raising document with the Social Stock Exchange where it is registered along with the fees as specified by the Social Stock Exchange and an application seeking in-principle approval for listing of its Zero Coupon Zero Principal Instruments on the Social Stock Exchange:
- Provided that Social Stock Exchange shall specify the details to be incorporated in the fund raising document:
- Provided further that the Board shall specify the minimum disclosure requirements in respect of the fund raising document from time to time.
- (2) The draft fund raising document shall be made available on the website of the Social Stock Exchange and the Not for Profit Organization for a period of at least 21 days for public comments.
- (3) The Social Stock Exchange shall provide its observation on the draft fund raising document to the Not for Profit Organization, within 30 days from the filing of the draft fund raising document or receipt of clarification, if any, sought by the Social Stock Exchange from Not for Profit Organization, whichever is later.

(4) The Not for Profit Organization shall incorporate the observations of the Social Stock Exchange in draft fund raising document and file the final fund raising document with the Social Stock Exchange prior to opening the issue.

Procedure for private issuance of Zero Coupon Zero Principal Instruments by a Not for Profit Organization

292L (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).

Contents of the fund raising document.

292M (1) The draft fund raising document and the final fund raising document shall contain all material disclosures which are true and adequate to enable the applicants to take an informed decision.

(2) Without prejudice to the generality of sub-regulation (1), the draft fund raising document and the final fund raising document shall contain disclosures as may be specified by the Board from time to time:

Provided that the Social Stock Exchange may specify additional disclosures in respect of the draft fund raising document and the final fund raising document.

Other conditions relating to issuance of Zero Coupon Zero Principal Instruments

292N (1) Zero Coupon Zero Principal Instruments shall be issued in dematerialized form only.

(2) The minimum issue size shall be rupees one crore.

(3) The minimum application size shall be rupees two lakhs.

(4) 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.

(5) 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:

Provided that the funds shall be refunded in case the subscription is less than 75% of the issue size

(6) 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.

(7) The Social Stock Exchange shall specify the additional norms in respect of issue procedure including on agreements with depositories, banks, etc., ASBA related matters, duration for public issuance, allocation methodology and any other ancillary matter related to issue procedure.

Deemed compliance with Securities Contracts (Regulation) Rules, 1957.

292O The public issuance of Zero Coupon Zero Principal Instruments by a registered Not for Profit Organization in accordance with these regulations shall be deemed to be in compliance with rule 19 of the Securities Contracts (Regulation) Rules, 1957.

Termination of listing of Zero Coupon Zero Principal Instruments from the Social Stock Exchange.

292P 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.”

MADHABI PURI BUCH, Chairman

[ADVT.-III/4/Exty./194/2022-23]

Footnotes:

1. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 was published in the Gazette of India on September 11, 2018, vide notification No. SEBI/LAD-NRO/GN/2018/31.
2. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 was subsequently amended on -
 - (a) December 31, 2018 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2018, vide notification No. SEBI/LAD-NRO/GN/2018/57.
 - (b) March 29, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/05.
 - (c) April 5, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/08.
 - (d) July 29, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/29.
 - (e) September 23, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/35.
 - (f) December 6, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fifth Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/42.
 - (g) December 26, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Sixth Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/47.
 - (h) January 1, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Seventh Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2020/01.
 - (i) April 17, 2020 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2020 vide notification No. SEBI/LAD-NRO/GN/2020/10.
 - (j) May 8, 2020 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/11.
 - (k) June 16, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/17.
 - (l) June 22, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/18.
 - (m) July 1, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/21.

- (n) September 28, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/31.
- (o) January 8, 2021 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/03.
- (p) May 5, 2021 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/18.
- (q) August 3, 2021 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/30.
- (r) August 13, 2021 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/45.
- (s) October 26, 2021 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/52.
- (t) January 14, 2022 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022, vide notification No. SEBI/LAD-NRO/GN/2022/63.
- (u) April 27, 2022 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2022 vide notification No. SEBI/LAD-NRO/GN/2022/82.