



PR No.17/2021

**SEBI seeks public comments on the Report Submitted by the Technical Group  
on Social Stock Exchange**

Pursuant to announcement made by the Hon'ble Finance Minister in her budget speech for FY 2019-20 regarding Social Stock Exchanges, SEBI had constituted a Working Group (WG) on Social Stock Exchange (SSE) in September, 2019 under the Chairmanship of Shri Ishaat Hussain. The WG made appropriate recommendations relating to - permitting participation of Social Enterprises on SSE, minimum reporting requirements, possible means/ mechanisms of raising finance, creation of separate Self-Regulatory Organizations (SROs) for Social Auditors etc. This report was put in public domain for comments. While analysing the comments received on this report, it was felt that further expert advice and clarity may be needed on certain critical operational issues before comprehensively firming up views in the matter.

Accordingly, a Technical Group (TG) was constituted by SEBI on September 21, 2020 under the Chairmanship of Dr. Harsh Kumar Bhanwala (ex-Chairman, NABARD). The Terms of Reference for the TG included - developing framework for on boarding Non-Profit Organisations (NPOs) and For Profit Social Enterprises (FPEs) on the SSE including defining for profit social investing/enterprises, prescribing disclosure requirements relating to financials, governance, operational performance and social impact. TG was also tasked to recommend on matters relating to scope of work, eligibility criteria and regulation of social auditors.

The Technical Group has since finalized and submitted its report to SEBI. It has built upon the recommendations made earlier by the WG. Some of the key recommendations made by the TG are as follows:

- (i) Social Enterprises (SE), eligible to participate in SSE, shall be entities (Non-Profit Organization- NPO and For-Profit Social Enterprise- FPE) having social intent and impact as their primary goal. The primacy is to be determined through application of the following filters:
  - SE should be engaged in at least one of the 15 broad eligible activities
  - SE should target underserved or less privileged population segments or regions
  - SE shall have at least 67% of its activities qualifying as eligible activities to the target population
- (ii) To inculcate a cultural shift towards a disclosure based regime, TG has recommended prior registration of NPOs with SSE before fund raising. The registration criteria for NPOs include parameters such as minimum annual spending and receipts, valid IT registration certificate etc.
- (iii) The instruments/ mode of raising finance recommended i) for NPOs include equity, Zero Coupon Zero Principal bonds, Mutual Funds, Social Impact Funds, and Development Impact Bonds ii) for FPEs include equity, debt, social impact funds, and development impact bonds.
- (iv) All SEs on SSE will be required to make disclosure of social impact on annual basis comprising of strategic intent and planning, approach and the impact scorecard.
- (v) A Capacity Building Fund (CBF) of Rs 100 Crores may be instituted to enable NPOs and other stakeholders to navigate the SSE and its processes, instruments etc apart from creating awareness. TG recommends that the CBF can be housed in NABARD as an administrative fund.
- (vi) In respect of Social Auditors (SA), TG recommends that to begin with only reputed firms/institutions having relevant expertise shall be allowed to carry out social audits. Such institutions will employ social auditors who have qualified certification course conducted by NISM. Social Auditors will be required to be empanelled with an SRO which is proposed to be under ICAI as a separate Sustainability Directorate.

- (vii) In order to make Social Venture Funds (SVF- a type of Cat-I AIF) as an attractive means for investment in NPOs, the TG has recommended that a new form of SVF may be set up allowing 100% grants-in, grants-out. TG has also recommended that reference to “muted” returns in the AIF Regulations may be removed and the nomenclature of Social Venture Funds may be changed to ‘Social Impact Funds’

Further details on the recommendations of Technical Group are available in the report which can be found at the following link:

[https://www.sebi.gov.in/reports-and-statistics/reports/may-2021/technical-group-report-on-social-stock-exchange\\_50071.html](https://www.sebi.gov.in/reports-and-statistics/reports/may-2021/technical-group-report-on-social-stock-exchange_50071.html)

Comments are sought from the public on the aforesaid recommendations (at section 1.4 (a) to (k)) of the report in the following format:

Name of entity / person : Contact Number & Email Address :			
Sr. No.	Recommendation in the report to which the comment pertains (section 1.4 (a) to (k))	Suggestion/ Comments	Rationale

The comments may be sent by email to Smt. Yogita Jadhav, GM at ([yogitag@sebi.gov.in](mailto:yogitag@sebi.gov.in)), Shri Abhishek Rozatkar ([abhishekr@sebi.gov.in](mailto:abhishekr@sebi.gov.in)) and Shri Rajesh Kumar Meena ([rajeshm@sebi.gov.in](mailto:rajeshm@sebi.gov.in)) no later than June 20, 2021. While sending email, kindly mention the subject as "Comments on TG-SSE Report".

**Mumbai**  
**May 06, 2021**