

- Framework for Social Stock Exchange

The Hon'ble Finance Minister as part of the Budget Speech for FY 2019-20 had proposed to initiate steps towards creating a social stock exchange, under the regulatory ambit of Securities and Exchange Board of India, for listing social enterprise and voluntary organizations.

The Idea behind to set up such exchange is to provide platform for Investors interested in contributing to social enterprises as not enough information is available in public domain about for-profit social enterprises or not-for-profit organization (social enterprises).

SEBI vide circular dated 25th July 2022 has notified Social Stock Exchange Framework on the basis of recommendation of a working group to provide social enterprises with an additional avenue to raise funds. Accordingly, SEBI has amended SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) Regulations, 2018 by Inserting Chapter X-A as "SOCIAL STOCK EXCHANGE"

The chapter clarifies meaning of "Draft Fund-Raising Document", "Final Fund-Raising Documents", "For Profit Social Enterprise", "Fund Raising Document", "Not for Profit Organization", "Social Auditor", "Social Audit Firm", "Social Enterprise" and "Social Stock Exchange".

The provisions of this chapter are applicable to: -

- 1) Not for Profit Organization seeking to only get registered with a Social Stock Exchange,
- 2) Not for Profit Organization seeking to get registered and raise funds through a Social Stock Exchange,
- 3) For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisions of this Chapter

To be eligible as Social Enterprise the enterprise shall be involved sixteen listed activities in the chapter. The eligible activities include eradicating hunger, poverty, malnutrition, inequality, promoting health, promoting education, protection of national heritage; among others.

Fund Raising by Social Enterprise: -

Not for Profit Organization on Social Stock Exchange	For Profit Social Enterprise
Issuance of Zero Coupon Zero Principal Instruments institutional investors and/or non-institutional investors accordance with the applicable provisions	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
Donations through Mutual Fund schemes as specified by the Board	Issuance of debt securities
Any other means as specified by the Board from time to time	Any other means as specified by the Board from time to time

Besides above, the circular also provides various guidelines for Issuance of Zero Coupon Zero Principal Instruments, Procedure for public Issuance of Zero-Coupon Principal Instruments by a Not-for-Profit Organization, Content of Fund-Raising Document, Termination of listing of Zero Coupon Zero Principal Instruments.

- SEBI vide circular dated 22nd August 2022 have amended SEBI (Portfolio Manager) Regulations, 2020 related to Investment in the securities of related party or its associates by Portfolio Managers.

The circular provides more clarity on definition of "Related Party". Further, prior consent of the Client for making investment in the securities of related party or associates of Portfolio Manager will be required, the procedure for which will be specified by SEBI.

Portfolio Managers cannot invest client's funds in unrated securities of their related parties or their associates. Portfolio managers shall ensure compliance with the prudential limits on investments and also on the basis of credit rating of securities as specified by SEBI and also be required to place an alert-based system to monitor compliance with prudential limits on Investment.

- In order to prevent acts and mis-selling algorithmic trading facility to investors, SEBI vide circular dated 2nd September 2022 have decided that Stock Brokers who provide services relating to algorithmic trading shall not directly or indirectly make any reference to the past or expected future return or performance of algorithm. Stock brokers shall not directly or indirectly associate with any platform providing any reference to the past or expected future return / performance of the algorithm.
- Pursuant to extensive consultation with Depositories, Clearing Corporations and Stock Exchanges, SEBI vide circular dated 18th August 2022 have made mandatory the facility of block mechanism in demat accounts (clients undertaking sale transactions) for all the Early Pay – In transactions.