



MCA Enables CSR Spending through Zero Coupon Zero Principal Instruments Listed on Social Stock Exchanges

The Ministry of Corporate Affairs ("MCA"), vide Notification No. G.S.R. 415(E) dated May 27, 2026, issued under Sections 135 and 469(1) & 469(2) of the Companies Act, 2013, has notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026, enabling companies to undertake a portion of their CSR obligations through subscription to Zero Coupon Zero Principal Instruments issued by eligible Not-for-Profit Organisations listed on the Social Stock Exchange. The amendments came into force on the date of publication in the Official Gazette.

Analysis

- The amendment introduces the definition of a “Not for Profit Organization” by adopting the meaning assigned under Regulation 292A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. This aligns the CSR framework with the regulatory regime governing entities listed on the Social Stock Exchange.
- A new definition of “Zero Coupon Zero Principal Instrument” has been inserted. Such instruments are securities issued by NPOs registered with the Social Stock Exchange segment of a recognised stock exchange in accordance with SEBI regulations. These instruments enable philanthropic funding without repayment of principal or payment of interest, thereby creating an alternative mechanism for channelising CSR funds.
- A new Rule 4A has been inserted permitting companies to undertake CSR activities through subscription to ZCZP Instruments. However, the expenditure incurred through such instruments cannot exceed 10% of the company’s total CSR expenditure for the relevant financial year.
- Companies subscribing to ZCZP Instruments have been exempted from carrying out impact assessments for projects funded through such instruments. This provides compliance relief, particularly where the funded projects are implemented and monitored by SSE-listed NPOs.
- The amendment imposes specific obligations on NPOs issuing ZCZP Instruments. Such organisations must deploy the funds towards projects having a duration not exceeding three succeeding financial years from the date of issuance of the instrument.



- Upon termination of the listing of a ZCZP Instrument, any unspent amount must be transferred to a fund specified under Schedule VII of the Companies Act, 2013, and the NPO is required to submit a compliance report to SEBI. This seeks to ensure accountability and proper utilisation of CSR-linked funds.
- The MCA has clarified that the existing provisions governing CSR implementation under Rule 4 of the CSR Rules shall apply to CSR activities undertaken through ZCZP Instruments, except for sub-rules (5) and (6).
- The amendment expands the avenues available to companies for discharging CSR obligations by enabling participation in Social Stock Exchange-listed instruments. Companies may now diversify a portion of their CSR spending towards vetted NPO-led projects through capital market mechanisms, potentially improving transparency, governance, and monitoring of CSR initiatives. At the same time, companies will need to establish internal controls to track the 10% expenditure cap, evaluate eligible SSE-listed NPOs, and ensure appropriate disclosures and reporting under the CSR framework.
- Key Takeaways
 - Companies can now utilise up to 10% of their annual CSR expenditure through subscription to ZCZP Instruments issued by eligible SSE-listed NPOs.
 - The amendment strengthens the integration between the CSR framework and the Social Stock Exchange ecosystem, creating an additional channel for funding social impact projects.
 - Companies investing through ZCZP Instruments benefit from exemption from impact assessment requirements for projects financed through such instruments.
 - NPOs issuing ZCZP Instruments must comply with project duration limits and prescribed fund utilisation requirements, thereby enhancing accountability and regulatory oversight.
- The notification is attached herein.

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