



REGULATORY UPDATES

NEW AVENUE FOR CSR SPENDING THROUGH ZCZP
INSTRUMENTS

NEW AVENUE FOR CSR SPENDING THROUGH ZERO COUPON ZERO PRINCIPAL (ZCZP) INSTRUMENTS

BACKGROUND

MCA via its Notifications dated 27 May 2026 has expanded the scope of Schedule VII of the Companies Act, 2013 by introducing a new item no. (xiii) i.e. “Subscription to Zero Coupon Zero Principal (ZCZP) Instruments issued by Not-for-Profit Organizations (NPO) listed on Social Stock Exchange (SSE)” as an eligible CSR activity.

The amendment provides companies with an additional mechanism for CSR deployment while shifting project execution and evaluation responsibilities to SSE-listed NPOs.

However, investments through this route are capped at 10% of the company's annual CSR expenditure.

KEY HIGHLIGHTS

A. Insertion of Definitions

The amendment introduces **two important definitions** in Rule 2 of Companies (CSR Policy) Rules, 2014:

1. **Not-for-Profit Organization (NPO)** has been defined to include charitable trusts, societies, Section 8 companies and other eligible entities qualifying as *Social Enterprises* under the Social Stock Exchange framework of SEBI (ICDR) Regulations, 2018.

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

B. CSR Implementation through ZCZP Instruments

1. **Limits on CSR Deployment** - Subscription to ZCZP instruments is restricted to **10% of the total CSR expenditure of a financial year.**
2. **Exemption from Impact Assessment** - Companies funding projects through ZCZP instruments are **not required to undertake impact assessment for such projects.**
3. **Responsibilities of NPOs:**
 - a. **Project execution** and **project evaluation** remain the responsibility of NPO raising funds through ZCZP Instrument.
 - b. Projects are required to be completed by the NPO within **3 succeeding FYs** from the issue of such instruments; and
 - c. Upon termination of listing of such instruments, NPO shall transfer the **unspent amount to any Schedule VII fund** (i.e. *PM CARES Fund, PM National Relief Fund, Swachh Bharat Kosh, Clean Ganga Fund etc.*) and submit its **compliance report to SEBI.**

CONCLUSION

The introduction of ZCZP instruments into the CSR framework marks a significant step towards integrating India's CSR ecosystem with the Social Stock Exchange architecture. It provides companies with an additional avenue for undertaking CSR activities while enabling eligible NPOs to raise funding for public welfare projects through a transparent and regulated mechanism by issuing ZCZP instruments in accordance with SEBI regulations.

For more details, please refer to the MCA notifications dated 27 May 2026:

<https://www.mca.gov.in/bin/dms/getdocument?mds=uVuliv0Uu%252BB9uZpsyUH8Eg%253D%253D&type=open>


<https://www.mca.gov.in/bin/dms/getdocument?mds=xzeqwefP%252FSW%252Fvr%252B8Y%252FNHKw%253D%253D&type=open>


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