Zero Coupon Zero Principal Instrument

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Zero Coupon Zero Principal Instrument Latest News

Recently, the Ministry of Corporate Affairs (MCA) has allowed companies to deploy a portion of their Corporate Social Responsibility (CSR) spending through Zero Coupon Zero Principal (ZCZP) instruments.

About Zero Coupon Zero Principal Instrument

- It is a **financial instrument issued by a not-for-profit organization** which carries **neither interest payments nor repayment of principal.**
- These financial instruments allow **non-profit organizations** (NPOs) to **raise funds** that are listed on the **social stock exchange.**
- This instrument effectively makes it a philanthropic funding mechanism routed through a market framework.
- ZCZP instruments from **NPOs are designated for specific projects** or activities and must be completed within the timeframe outlined in the fundraising documents.
- This instrument shall be **issued in dematerialized form only.**

- It shall not be transferable from the original subscriber/ holder till the expiry of the tenure of the said instrument.

What is Corporate Social Responsibility?

- It is a **business model** by which companies make a concerted effort to operate in ways that enhance rather than degrade society and the environment.
- It helps both improve various aspects of society as well as promote a positive brand image of companies.
- CSR is mandatory for eligible companies under **Section 135 of the Companies Act, 2013**. Companies must spend at **least 2% of average net profits** of the preceding three years on CSR activities.
- CSR activities are governed by **Schedule VII of the Companies Act.**

Source: **BL**
