

04 September 2020

Shri Yogendra Garg
The Principal Commissioner, GST Policy Wing
Room No. 220A, Central Board of Indirect Taxes and Customs
Department of Revenue, North Block
New Delhi 110 001

Sub: Regulatory challenges in implementation of E-invoicing compliance for the Stock Broking industry

**Ref: Our meeting on 18 August 2020
Representation dated 9 March 2020**

Dear Sir,

We, Asia Securities Industry and Financial Markets Association ('ASIFMA' or 'We'), are an independent regional trade association with over 100 members comprising a diverse range of leading financial institutions including stockbrokers, banks, asset managers and others.

We refer to our meeting with your goodself *via* video conference held on 18 August 2020, wherein we had represented the difficulties which the Stock Broking sector would face in complying with the E-Invoicing provisions proposed to be introduced with effect from 1 October 2020. In view of the same, we had sought for an exemption for Stock Broking sector from E-invoicing compliance.

We wish to thank you for your time and inputs on the issues discussed in the meeting. As discussed, one of the key challenges we envisage is with respect to regulatory changes that are required to be done by the Securities Exchange Board of India ('SEBI') as well as the relevant stock exchanges. Given that some key aspects such as formats of the contract notes / Straight Through Processing ('STP') is defined by the regulators, aligning these is a critical step in the implementation of changes for e-invoicing readiness.

Towards this, we wish to highlight through this letter asks of the industry for aligning the regulatory aspects in the implementation of the e-invoicing compliances.

1. Need for immediate notification of amendment to the format of contract notes and STPs

- 1.1. Presently, most of the ASIFMA members are considering the contract note/ STP as GST Tax invoice. A contract note is the legal record of any transaction carried out on a stock exchange through a stock broker whereas an STP is a mechanism that automates the end-to-end processing of transactions of financial instruments mandated to be used by SEBI. The contract notes/ STPs issued by the stock brokers contains the details of the trades as well as the other details as required under the GST legislation.
- 1.2. The issuance and reporting of contract notes as well STPs are strictly regulated by the SEBI through the stock exchanges. More importantly, the content/ format of the contract notes and STPs (allowed to be issued by stock brokers) is prescribed by the SEBI through the Exchanges. Accordingly, any changes in the contents of the contract notes and STPs for capturing any additional details, requires a prior notification and intimation by the SEBI / Exchanges.

- 1.3. Upon implementation of the E-invoicing regime with effect from 01 October 2020, every stock broker having turnover of more than 500 crores would be required to generate an Invoice Reference Number ('IRN') and Quick Response Code ('QR Code') in respect of all tax invoices raised on clients registered under GST. We understand that this QR Code with the IRN is required to be mentioned on the tax invoice that is being raised by stock brokers.
- 1.4. Given the introduction of E-invoicing from 1 October 2020, stock brokers will have to include additional details such as IRN and QR Code on the contract notes/ STPs issued by them for considering an invoice as a valid document under GST. As mentioned above, the said amendment to include QR code with the IRN in the contract note/ STPs would have to be notified and introduced by the SEBI along with the Stock Exchanges.
- 1.5. However, an amendment from the regulators is awaited in order to give effect to the essential changes in the contract notes/ STPs for e-invoicing. In the absence of specific notification from the regulators, no changes to the contract notes/ STPs is possible, as the same would result in breach of prescribed format of the contract notes/ STPs by SEBI/ exchanges vide Circular DNPD/Cir-9/04 dated 3 February 2004 read with BSE Notice Number 20170605-19 dated 5 June 2017 and NSE Circular No 309/2017 dated 16 June 2017.
- 1.6. Accordingly, the entire eco-system to mobilise itself towards getting ready for complying with the requirements of E-invoicing, is dependent on such change.
- 1.7. Hence, it would be important that SEBI/ stock exchanges immediately prescribe the revised format of the contract note/ STPs, given that the e-Invoicing compliance is implemented within the prescribed time.
- 1.8. We wish to highlight that the time for implementation is extremely short and given that the entire system changes would be implemented only upon notification of the amendments from the SEBI/ Exchanges almost immediately, it would result in a significant challenge for the sector to implement, test and be live for the 1 October 2020 timeline.
- 2. Regulators acknowledging alternate compliance option of brokers issuing a GST Tax invoice which is separate from the contract note/ STP**
 - 2.1. Given the limited time on hand for implementation and the amendment notifications from SEBI/ Exchanges are awaited, based on feedback received from our members, implementing the changes to systems for e-invoicing compliance in the contract notes/ STPs within this timeline, will be difficult.
 - 2.2. In view of this, the members are considering implementing an option of issuing a GST Tax invoice which is separate from the contract notes/ STPs. Currently, the contract note format notified by the SEBI/ Exchanges refers to the contract note as "Contract Note-Cum-Tax Invoice".
 - 2.3. In the event the stock brokers delink the contract notes/ STPs from the GST Tax invoice, the present process of issuance of contract notes/ STPs could continue (such that there are no operational disruptions) and a parallel GST Tax invoice would be issued to clients.
 - 2.4. It is suggested that the SEBI/ Exchange along with the CBIC acknowledge the feasibility of doing the same. We seek this acknowledgement / confirmation in order to avoid any future challenges where both the contract note/ STP and the separate GST Tax invoice raised are considered as a tax invoice for GST purposes.

We submit that since there are significant dependencies on SEBI/ stock exchanges and that the changes required to systems/ operational processes are many which would take minimum of 6-8 weeks to implement and the time required to implement is extremely short and the stock brokers may not be ready to comply with the E-invoicing provisions from 1 October 2020. It is our humble submission that the date of implementation of E-invoicing for stock broking sector be deferred by 3 months.

We request you to kindly take the above submissions on record and oblige. In case any further clarifications are required, please do not hesitate to reach out to us.

Thank you.

Yours sincerely,



Patrick Pang
Managing Director and Head of Compliance and Tax
ASIFMA