

CAB Training Cards



कृषि बैंकिंग महाविद्यालय, भारतीय रिज़र्व बैंक
विद्यापीठ मार्ग, पुणे-411016

College of Agricultural Banking, Reserve Bank of India
University Road, Pune-411016



Trade Receivables Discounting System (TReDS)

Objective

TReDS brings together MSMEs, their corporate buyers and financiers and reduces the constraints faced by the MSMEs in liquidity management by providing them a quick and efficient financing option.

Salient Features of TReDS

- a. TReDS will facilitate the discounting of both invoices as well as bills of exchange. Both factoring and reverse factoring is permitted under the system.
 - i. Factoring – Seller initiates the process
 - ii. Reverse Factoring – Buyer initiates the process
- b. The transactions to be “without recourse” to the MSMEs.
- c. There is a provision on the TReDS Platform to define whether buyer or seller is going to bear the interest cost.
- d. Registration with CERSAI after a factoring unit has been accepted for financing.
- e. No security is required to be given by Seller or Buyer to TReDS for the purpose of factoring of trade receivables on the TReDS Platform.

Participants

- a. Sellers-MSME entities as per the definition of the Micro, Small and Medium Enterprises Development Act, 2006 (“MSMED Act”).
- b. Buyers- Corporates including companies and other buyers including Government Departments and Public Sector Undertakings and such other entities as may be permitted by the Reserve Bank of India (RBI).
- c. Financier-Banks, NBFC Factors, Financial Institutions and such other institutions as may be permitted by RBI from time to time.

Process of Workflow

➤ Onboarding

- a. Registration and Execution of Master Agreement by the participants with the platform
- b. Verification by the Platform
- c. Collection of Registration Fees by the Platform from the participants

➤ Factoring Unit

- a. Uploading invoice on TReDS platform
- b. Counterparty accepts the invoice
- c. Invoice converted to Factoring Unit

➤ Auction

- a. Financiers bid on Factoring unit and the best bid is accepted by the bearer of interest.
- b. If no bids are received, then the buyer needs to make the payment to the Seller directly as per the provisions of MSMED Act.

Settlement

- a. Once the bid is accepted, the account of the Financier will be auto-debited on T+1 and amount would be credited in the account of the Seller on T+1.
- b. Register Factoring Unit with CERSAI
- c. On the final due date, the account of the Buyer will be auto-debited for crediting the same to the account of the Financier on the same day or next day.
- d. Registering satisfaction of factoring unit with CERSAI
- e. In the event of non-payment by the Buyer on the due date, the transaction fails, and financier can initiate penal proceedings under section 25 of PSS Act.

Entities Approved by RBI

- a. Receivables Exchange of India Ltd. (RXIL), a JV between SIDBI & NSE
- b. Mynd Online National Exchange (M1 Exchange)
- c. A.TREDS, a JV of Axis Bank and mjunction services (Invoicemart)

July 2018

Compiled by
Shri Mohan Venkateswaran,
Asst. Legal Adviser / MOF