

### Trade Receivables Discounting System (TReDS):

Trade Receivables Discounting System (TReDS) is an initiative of Reserve Bank of India (RBI) to facilitate MSME receivable payments from Corporates.

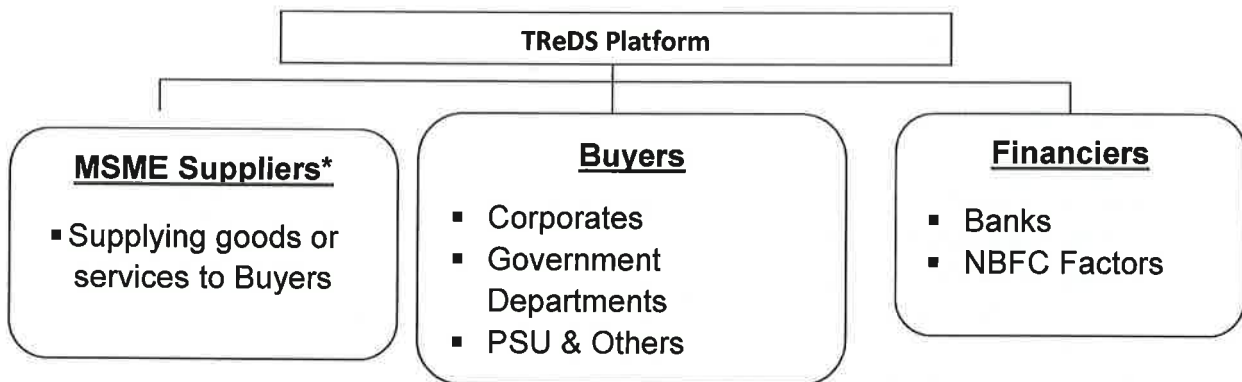
The main objective of the TReDS platform is to address the critical needs of MSMEs i.e. the twin issues of promptly en-cashing receivables and eliminating credit risk. TReDS platform of RXIL is expected to be a catalyst in the growth of MSMEs by bringing in transparency in the business eco-system.

TReDS platform enables discounting of invoices/bills of exchange of MSME sellers against large corporates, including Government departments and public sector undertakings, through an auction mechanism to ensure prompt realization of trade receivables at competitive market rates.

TReDS is the first attempt in India to introduce factoring without recourse to the seller and will help MSME Sellers, not only in quick realization of receivables but also efficient price discovery.

#### **(a) The eligible entities who can participate in TReDS platform are:**

The TReDS will provide the platform to bring different participants together for facilitating uploading, accepting, discounting, trading and settlement of the invoices / bills of MSMEs as may be observed from following figure:



(\*MSME Suppliers defined as per MSMED Act 2006)

#### **(b) Who can initiate TReDS transactions:**

Both the seller and the buyer can initiate TReDS transactions for financing of trade receivables of MSME Sellers. When the MSME Seller uploads the invoices and bears the interest cost it is termed as “Factoring” i.e. (Single Seller –Multiple Buyers). In case of “Reverse Factoring” (Single Buyer – Multiple Sellers), the Buyer initiates the transaction and the interest cost is also borne by the Buyer.



**(c) On boarding on TReDS Platform:**

Bank of India has on boarded the TReDS platform floated by Receivables Exchange of India Ltd (RXIL) and all the customers willing to avail factoring facility from the Bank can upload their invoices on TReDS platform of RXIL.

**(d) Key benefits of TReDS are as under:**

**All Participants**

- Automated transparent platform
- Paperless and hassle free
- Cost Reduction

**Benefits to Sellers**

- Competitive price discovery
- Without recourse to Seller
- MSMEs have the right to choose the best bid
- Payment received on T+1 on successful auction
- No follow-up with the buyers for payment
- Not dependent on single financier
- Enhanced productivity and efficient liquidity management
- Widening the financing options

**Benefits to Buyers**

- Compliant with MSMED Act, 2006
- Can negotiate better terms with MSME Vendors
- Lower cost of inputs for Buyers
- Lower administrative cost
- Can avail extended credit period
- Competitive Price Discovery
- Efficient cash-flow management
- Ensure that their vendors are not strapped for cash / working capital

**(e) Rate of Interest:**

ROI is linked to 1M/3M/6M MCLR.

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