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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.

TReDS platform enables discounting of Invoices/Bills of Exchange of MSME sellers drawn on 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.

The three parties involved in TReDS platform are MSMEs known as Sellers, Corporates, who are Buyers of goods/services from MSMEs and Financiers who are discounting the trade Bills.

PARTY 1	PARTY 2	PARTY 3
MSME SUPPLIERS	BUYERS	FINANCIERS
SUPPLYING GOODS OR SERVICES	CORPORATES, GOVERNMENT DEPARTMENTS PSUs & OTHERS	BANKS/NBFC FACTORS

‘Factoring Unit’ is a nomenclature used in TReDS for an invoice or a bill on the system. Factoring Unit may be created either by MSME (Seller) or Buyer (Corporate, Govt.Dept. and PSUs). Other party other than who is creating Factoring Unit has to approve it, before the Financing Bank comes for bidding.

Financiers can bid in the auction of Factoring Unit for those Buyers where they defined limits on the TReDS platform. The Bid rate is the rate that the Financier is willing to

offer for factoring/ financing the Factoring Unit. On accepting the Bid by the cost bearer transaction will happen. Settlement will happen within maximum of T+2 Working days.

It is helpful to all the parties and benefits are automated transparent platform, paperless workflow. Apart from this individually sellers and buyers are having inherent advantages such as competitive price, negotiation for better terms, reliability etc.

We, Canara Bank has onboarded on TReDS platform of **M/S.RECEIVABLES EXCHANGE OF INDIA LTD (RXIL)** as Financier and the clients who are willing to avail factoring facility can upload their invoices on TReDS Platform. On-boarding of Buyers and Sellers on TReDS platform requires KYC compliance.