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RBI grants “in-principle” approval to three applicants for setting up Trade Receivables Discounting System (TReDS)

In the Union Budget for 2015-16 the Honourable Union Finance Minister had highlighted the need for and use of TReDS for improving flow of funds to MSME sector by reducing the receivables realisation cycles. TReDS will allow SMEs to post their receivables on the system and get them financed. This will not only give them greater access to finance but will also put greater discipline on corporates to pay their dues on time.

In line with this, the Reserve Bank of India has today decided to grant “in-principle” approval to the following three applicants to set up and operate Trade Receivables Discounting System (TReDS) as per the [Guidelines issued on December 03, 2014](#) under the Payment and Settlement System (PSS) Act 2007.

1. NSE Strategic Investment Corporation Limited (NSICL) and Small Industries Development Bank of India (SIDBI), Mumbai
2. Axis Bank Limited, Mumbai
3. Mynd Solutions Pvt. Ltd., Gurgaon, Haryana

The “in-principle” approval granted will be valid for a period of 6 months, during which time the applicants have to comply with the requirements under the Guidelines and fulfil the other conditions as may be stipulated by the Reserve Bank. On being satisfied that the applicants have complied with the requisite conditions laid down by it as part of “in-principle” approval, the Reserve Bank would consider granting to them a Certificate of Authorisation for commencement of the business of TReDS.

Selection Process

As the TReDS will be a payment system authorised under the PSS Act 2007, an elaborate four-tiered structure of application processing was adopted for this purpose.

To start with, a preliminary scrutiny of the applications was done by the Department of Payment and Settlement Systems to vet the eligibility of the applicants vis-à-vis the requirements laid down in the Guidelines. In the next stage, the applicants were invited to make presentations before the Inter Department Group (IDG) comprising officials from various regulatory departments of the Reserve Bank and elaborate or clarify on areas, such as, the financial plan including source of funds, business plan including implementation time, process and technical plans as also issues related to risk management, grievance redressal, Business Continuity Plan / Disaster Recovery Management, etc.

In the third stage, the Committee of Governor and Deputy Governors reviewed the applications and the assessment of the IDG. As suggested by the Committee, another round of meeting with the shortlisted applicants was held to seek further information/clarifications. In the final stage, the recommendations made by this Committee was considered by the Board for Payment & Settlement System (BPSS) today and it approved grant of “in-principle” approval to the these applicants.

Background

The Governor, in his statement on September 04, 2013 had announced the intention to facilitate Electronic Bill Factoring Exchanges in the country, which could electronically accept and auction MSME bills against large companies so that MSMEs could be paid promptly.

The Reserve Bank of India published a concept paper on “[Micro, Small & Medium Enterprises \(MSME\) Factoring-Trade Receivables Exchange](#)” in March 2014 taking into account the interest expressed by a few entities and in consultation with select stakeholders. Subsequently, the [draft guidelines](#) for setting up of and operating TReDS were released on July 22, 2014.

Based on the feedback received from public/stakeholders, final guidelines were issued on December 03, 2014 under Section 10(2) read with Section 18 of the Payment and Settlement Systems (PSS) Act, 2007. Entities interested in setting up and operating TReDS were advised to apply for authorisation till February 13, 2015 which was further extended upto March 09, 2015.

The names of applicants who had applied for setting up TReDS was released on March 25, 2015.

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Assistant Manager

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Related Press Releases	
Mar 25, 2015	RBI releases Names of Applicants of Trade Receivables Discounting System (TReDS)
Feb 06, 2015	RBI extends Last Date for Receipt of Applications for setting up of and operating TReDS
Dec 03, 2014	RBI releases Guidelines for setting up of and operating TReDS
Jul 22, 2014	RBI Seeks Comments on Draft Guidelines for setting up of and operating Trade Receivables Discounting System (TReDS)