

# TRADE RECEIVABLES DISCOUNTING SYSTEM (TReDS)



INDIA'S **1<sup>ST</sup>** TReDS  
EXCHANGE

- ❖ NTREES – an online bill discounting platform, was being operated by NSE with SIDBI as a single financier since 2009
- ❖ NTREES was based on Reverse Factoring model followed by NAFIN in Mexico
- ❖ RBI floated a concept paper for launching Electronic Bill Discounting Exchange in 2013
- ❖ RBI issued TReDS guidelines on December 3, 2014
- ❖ NSE and SIDBI jointly applied to operate the TReDS Exchange

- ❖ NSE and SIDBI received approval to launch and operate TReDS platform on December 2, 2015
- ❖ Receivables Exchange of India Limited (RXIL) is a joint venture promoted by NSE and SIDBI
- ❖ RXIL is backed by State Bank of India, ICICI Bank and YES Bank
- ❖ RXIL incorporated as a public limited company on February 25, 2016
- ❖ RXIL received RBI approval on December 1, 2016 to launch the TReDS platform
- ❖ RXIL launched **India's 1<sup>st</sup> TReDS Exchange** on January 9, 2017

## Shareholders

Small Industries Development Bank of India (Promoter)



NSE Strategic Investment Corporation (Promoter)



State Bank of India



SBI Capital Markets Ltd.



ICICI Bank Limited



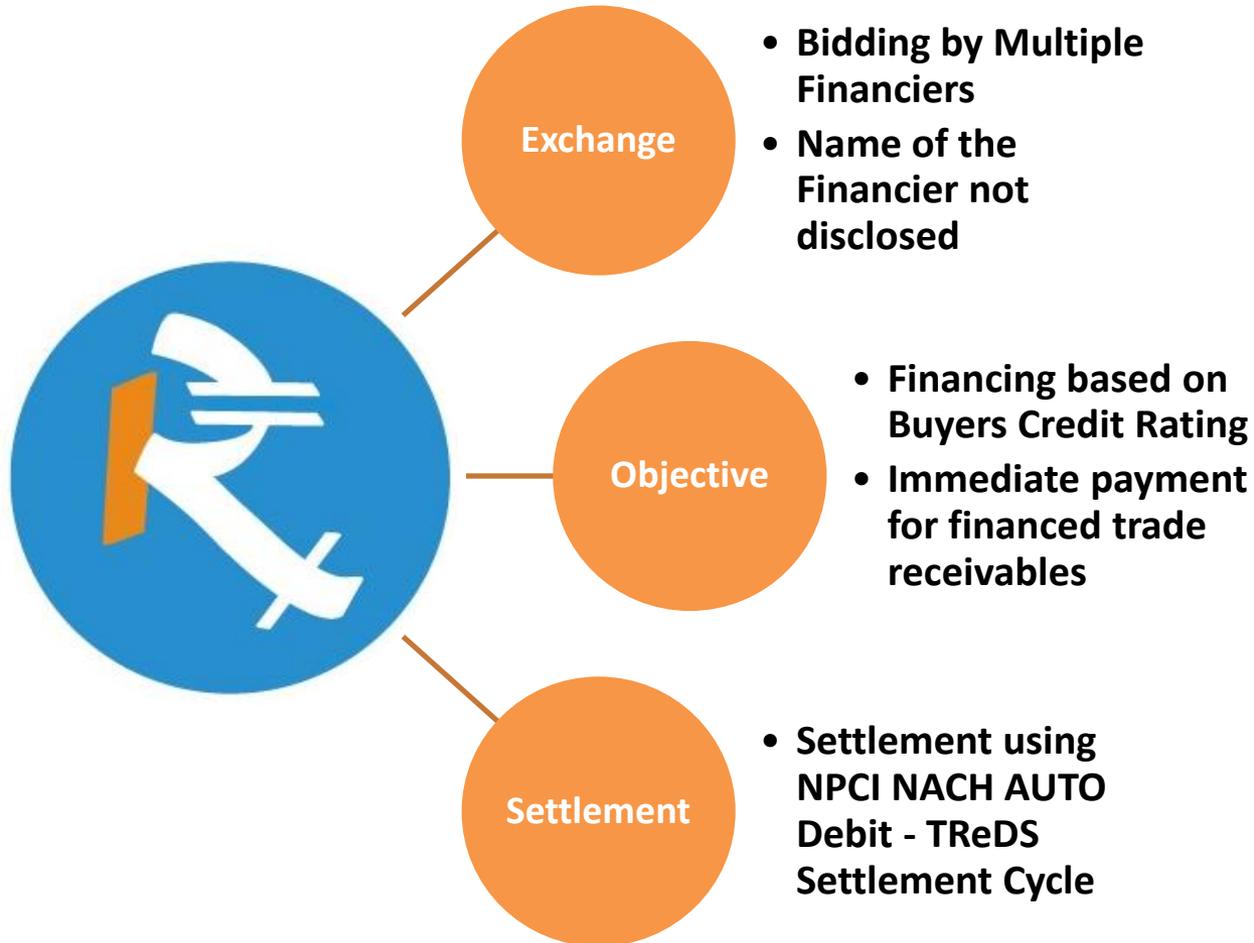
ICICI Securities Ltd

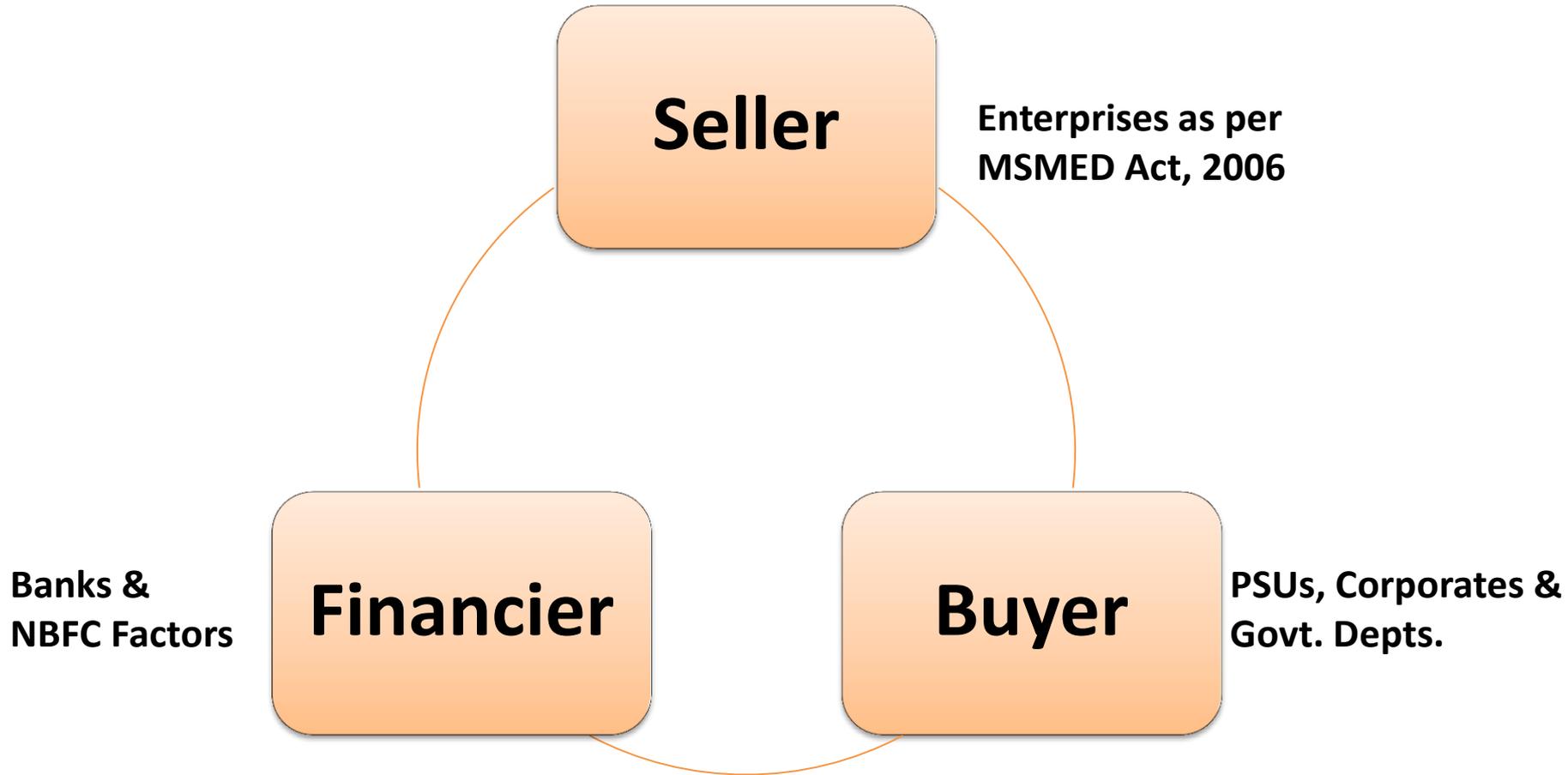


YES Bank Limited

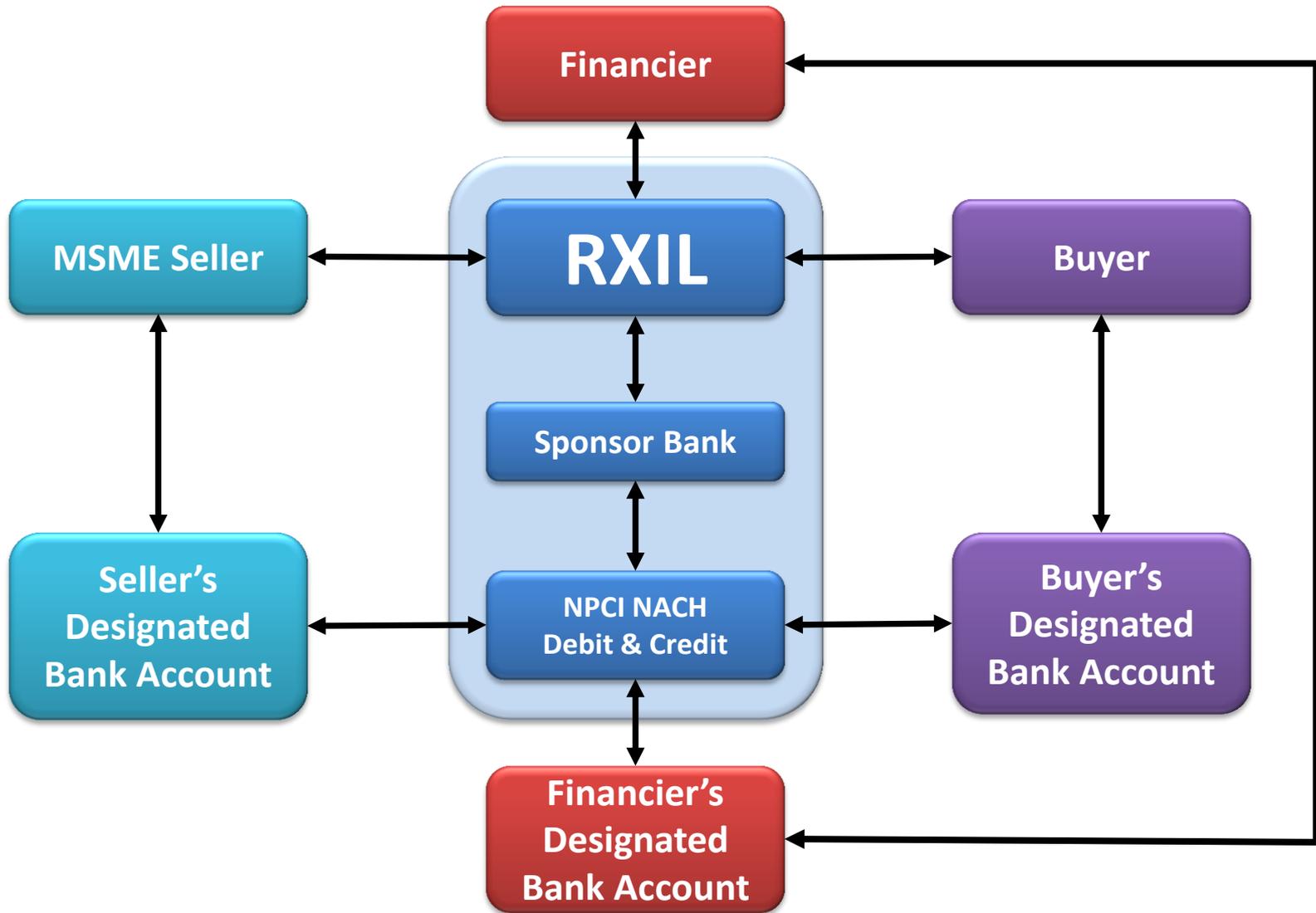


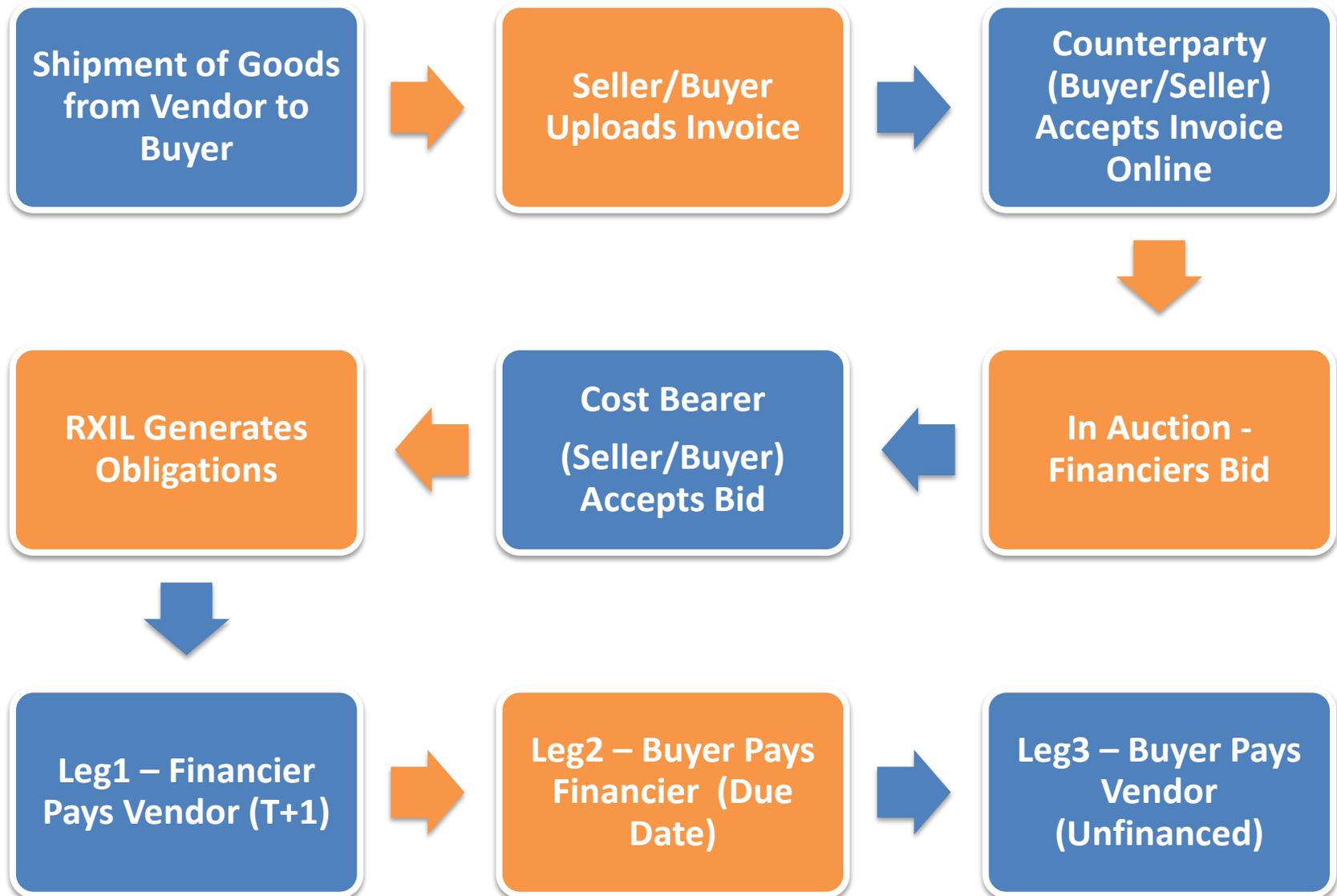
**TReDS is a digital platform for MSMEs to auction their trade receivables at competitive rates through online bidding by Financiers**

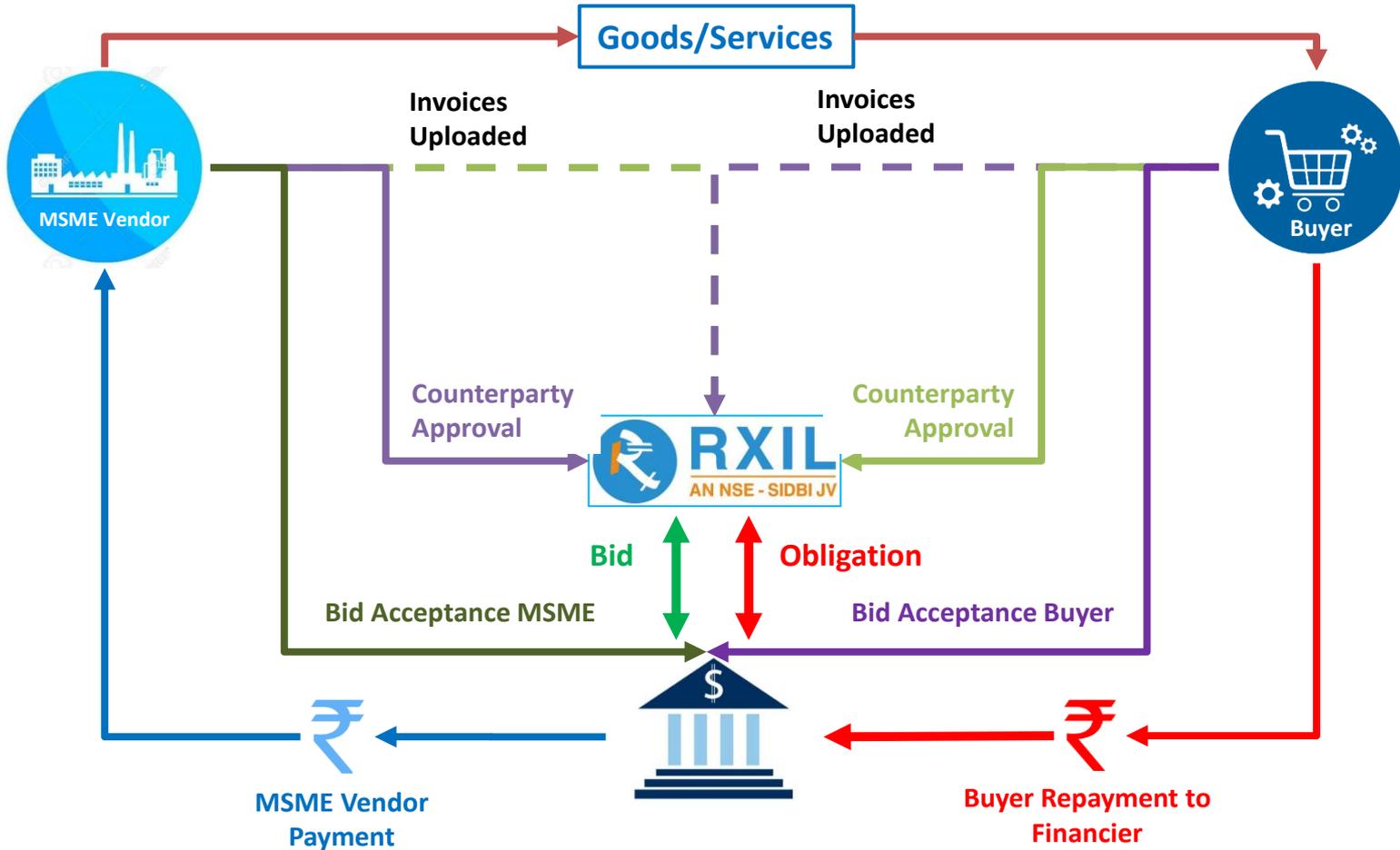




All participants need to be registered on the TReDS platform







## MSMEs

- Online digital platform
- Paperless and hassle free process
- Competitive price discovery through auction (get financing at best rates)
- Lower cost of financing as financing based on buyer's credit profile
- Without recourse to MSME vendor
- No follow-ups for payment
- Efficient working capital management due to improved liquidity
- Low admin & operational cost
- Faster transaction & low turnaround time for financing
- Widening financing options for MSME vendors

## Buyers

- Ensure compliance with MSMED Act, 2006
- Competitive price discovery through auction
- Lower supply chain cost for buyers
- Ensure timely payment to MSME vendors
- Help efficient cash-flow management
- Alternate and efficient vendor payment system
- Stable supplier base

## Financiers

- Priority Sector lending (PSL) benefits
- Cross selling products to MSMEs and corporates
- Lower cost of acquisition of new customers
- Level playing field against large banks
- Market driven financing

	Invoice Amount	Credit Period	Interest/Discount Rate	Financing Cost
<b>Cost Gain</b>	100	45	13%	1.60
	100	45	9%	1.11
<b>Savings</b>				<b>0.49</b>
<b>Extended Credit Period</b>	100	45	13%	1.60
	100	60	9%	1.48
<b>Savings</b>				<b>0.12</b>
<b>Breakeven</b>	100	45	13%	1.60
	100	65	9%	1.60
<b>Savings</b>				<b>0.00</b>

## Guidelines

- Support both MSME and non MSME bill discounting
- Expand the eligible financiers - DFIs, NBFCs, RRBs & Others intermediaries including corporates
- Govt. Dept. Current Account not permitted under NPCI NACH Debit Mandate registration
- RBI clarification permitting banks to use TReDS KYC for participants
- Banks working capital limit for vendor payments to be used only on TReDS
- Access to Wilful Defaulters List, CRILC and Credit Bureaus for due diligence

## Others

- Factoring Unit lacks legal sanctity similar to BoE and Cheque
- Only regulated platforms be permitted to operate bill discounting platforms
- TReDS not eligible to become member of CERSAI
- Bulk upload for registration with CERSAI is still pending
- High CERSAI fees of Rs. 500/- per invoice and Rs. 250/- per invoice is deterrent

- ❖ Linking of GST portal with TReDS will help ease flow based lending to MSMEs
- ❖ Dematerialisation of invoices and building GST based registry will allow straight through processing (STP)
- ❖ PSUs / Corporates should be mandated to make vendor payments only through TReDS as it will bring in transparency
- ❖ Scope of TReDS to be expanded

- ❖ TReDS launched India's 1<sup>st</sup> blockchain based solution to prevent double financing of invoices
- ❖ Expand the DeDupe mechanism to non TReDS bill discounting will help prevent systemic risk arising from multiple financing of same invoices
- ❖ Integrating banks total exposure for the corporate into TReDS platform
- ❖ Launching TReDS platform for cross-border trade facilitation within SAARC and ASEAN countries

## ❖ Objective

- To prevent multiple financing of the same invoice if it has been uploaded on multiple TReDS Exchanges for financing

## ❖ Requirement

### Privacy

- Other exchange should not know the details of the invoices uploaded on RXIL TReDS platform
- Allow RXIL to know if the invoice has been uploaded on the other platforms for duplication financing
- Check if the invoice has been financed on any other platform before it gets financed on RXIL TReDS platform
- If the invoice is financed on other platform then the same should be allowed to be financed on RXIL TReDS platform

### Cost Effective

- Reasonable cost for implementing the solution

## ❖ Monetago provides an integration platform

- Blockchain agnostic
- Hyperledger Fabric 2.1.1
- Cryptocurrency-free

## ❖ Requirement

- Integration – Seamless in-line integration with existing factoring process
- Redundancy Fault tolerant
- Latency – Queries should complete in **less than approximately 1-2 seconds**
- Privacy - **No exchange should have access to the core systems** of any other exchange
- Support - Solution provider must offer continuous support

## ❖ Enables

- Hashing** (encrypting) all details of the data to protect exchanges clients info, yet provides the service and functionality of de-duplication
- Ecosystem** - The network is not limited to the initial participants. Monetago architecture provides the ability for other participants to join the network seamlessly and without any additional effort of integration from or disruption of the existing participants

# Thank You!