

19<sup>th</sup> July 2022

## **Reserve Bank of India Guidelines On-Boarding of Corporate Buyers on TReDS**

The Reserve Bank of India has issued guidelines for setting up and operating the Trade Receivable Discounting System (TReDS), an institutional mechanism for facilitating the financing of trade receivables of MSMEs from corporates and central public sector enterprises (CPSEs), through multiple financiers, to address the issue of delayed payment faced by MSMEs.

TReDS offers a hassle-free, faster and transparent process of invoice financing to the MSMEs with competitive price discovery by the participating financiers. Participating in the portal also helps the corporate buyers in complying with the provision of timely payment to MSMEs as stipulated in the MSMED act 2006. The portal helps in lower supply chain cost and efficient cash flow management for both MSME sellers and corporate buyers.

Government of India (GoI) and RBI have taken several initiatives for encouraging participation of various stakeholders on the platform. Further, GoI has mandated all companies registered with the companies act, 2013 (18 of 2013) with a turnover of more than 500 crore to onboard on the platform. However, more than 3000 eligible companies {out of 4714 eligible companies identified by Ministry of Corporate Affairs (MCA)} are yet to be onboarded on the portal (source: [dashboard.msme.gov.in](https://dashboard.msme.gov.in) updated as on June 01, 2022)

As TReDS is an effective mechanism to address the issues of delayed payments and liquidity faced by MSMEs. In this connection, we would like to encourage all (both large corporates & MSMEs) to get onboard and transact on the platform to your advantage.