



Finance Industry Development Council

(A Representative Body of Assets and Loan Financing NBFCs)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

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31st August, 2021

**MR. NARAYAN RANE,
HON'BLE MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)
GOVERNMENT OF INDIA,
UDYOG BHAWAN, RAFI MARG,
NEW DELHI – 110 001**

Respected Sir,

SUB: Factoring Act- Access to the TReDS platform

We take this opportunity to **compliment** Government of India and the RBI for seminal amendments to the Factoring Regulation Act, 2011 ("Factoring Act").

The Act, which also provides exemption from stamp duty on factoring transactions will incentivize increased transactions without the burden of heavy duties as applicable to assignment transactions, enables an efficient and cost effective factoring /reverse factoring process and ensuring that the sufficient liquidity is created for all stakeholders through an active secondary market.

With this avowed objective, RBI issued the Guidelines for setting up of and operating the Trade Receivables Discounting System ("TReDS") in 2014 providing for a scheme for setting up and operating an institutional mechanism for facilitating the financing of trade receivables of MSMEs from corporate and other buyers through multiple financiers with the laudable objectives to address the delay in payment and liquidity problems faced



FIDC

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by micro, small and medium enterprises ("MSMEs") and to introduce a framework which would enable greater access to working capital finance.

With the amendment of the Factoring Act, for the first time, it is observed that all RBI registered NBFCs (besides those registered in the category of "NBFC-Factors") have also, alongside banks, been made eligible to undertake factoring activity.

We would like to state that NBFCs are far ahead of the curve to provide finance to MSMEs and as from FIDC, we assure you that some of the NBFCs are keen to commence the above activity, as soon as possible.

We urge upon RBI to arrange for a webinar for the benefit of our members, so that the NBFCs can be made aware of the processes and procedures thereby facilitating a wider set of financiers on the TReDS platform without much loss of time and that the objectives of amendments to the Factoring Act can be achieved in a smooth and purposeful manner.

Thanking you,
Yours Faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR
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