

The Reserve Bank of India has issued a circular dated June 7, 2023, to enhance the scope of the trade receivables discounting system (“TReDS”). The key aspects are set out hereunder:

Particulars	Old provision	New Provision
Insurance	Insurance was not permitted for TReDS transactions	<i>Insurance facility is now permitted</i> for TReDS transactions to enable the financiers to hedge default risks. Insurance companies would be the <i>fourth participant</i> in TReDS after buyers, sellers and financiers. No insurance premium can be levied on the seller.
Financiers	Only banks, NBFC-Factors and other financial institutions permitted by RBI could be financiers	All <i>entities permitted to undertake factoring business</i> under the Factoring Regulation Act, 2011 are <i>now permitted to be financiers</i> . This may include any company engaged in the factoring business and with a registration under the Factoring Regulation Act, 2011.
Secondary transfers	Secondary transfer were not permitted	TReDS platform operators may enable secondary transfers of factoring units within the same TReDS platform, subject to the RBI guidelines for transfer of loan exposures.

Expanding the scope of TReDS

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Particulars	Old provision	New Provision
Settlement mechanism	Settlement of factoring units which were not discounted or financed had to be done outside the TReDS system.	TReDS platform operators can now undertake settlement of factoring units which are not financed / discounted, using the NACH mechanism for TReDS.
Bid Transparency	Bid details could not be displayed to other bidders	TReDS platform operators have the option to display details of bids placed for a factoring unit to other bidders, without revealing the bidder's name.

The aforementioned was notified vide circular dated June 7, 2023 ([available here](#)).

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*Expanding the scope of
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