

सेन्ट्रल बैंक ऑफ़ इंडिया



Central Bank of India

CENTRAL OFFICEMSME DEPARTMENT

INSTRUCTION CIRCULAR NO : 1927 DATE : 07/08/2018

FILE NO : 105 DEPTT. RUNNING NO :89

DRAFT CIRCULAR TO ALL BRANCHES AND OFFICES

CENT TReDS

**Financing Trade Receivables Discounting System (TReDS) By CFB,
Narimanpoint Branch.**

MSMEs are the back bone of Indian Economy.As per delayed payments to MSEs under MSMED Act 2006, the buyer is liable to pay compound interest with the monthly rests to the supplier on the amount at the rate of three times of the bank rate notified by RBI in case the purchaser does not make payment to the supplier for his supplies of goods or services within 45 days of the acceptance of the goods/service rendered. (Section16). Despite that MSME's face constraints in obtaining adequate and timely finance, particularly in terms of their ability to convert their trade receivables into liquid funds.

RBI in November 2015 granted in-principle licenses to three entities including Axis Bank, Gurgaon-based Mynd Solutions and a joint bid by NSE Strategic Investment Corporation Limited and Small Industries Development Bank of India have been granted in-principle approval for setting up Trade Receivables Discounting System (TReDS). RBI vide their letter no DPSS.CO.PD No. 1368/02/01.010/216-17 dated 01.12.2016 has given approval to Receivables Exchange of India Limited (RXIL) for setting up and operate Trade Receivables Discounting System (TReDS) under payment and settlement Act 2007.

In order to extend support to MSME units, our bank's board has approved for **extending** working capital Finance through new product "**CENT TReDS**". At present **CENT TReDS** Scheme will be operated at CFB Nariman Point only.

All branches are advised to request their MSME clients to register on RXIL portal to generate business from our own clients

Details of the scheme are given in Annexure A enclosed.

**ANIL SHARMA
GENERAL MANAGER-PS & MSME**

- Enc: 1. Scheme Details in (Annexure- A)
2. RXIL TReDS Guidance note –Financiers (Annexure- B)
3. FAQ's (Annexure C)**

Sl No	Particulars	SCHEME DETAILS																								
1	Title	CENT TReDS (Financing Trade Receivables Discounting System) (TReDS)																								
2	Purpose	To participate on TReDS platform by CFB Narimanpoint .																								
3	Sector Classification	<p>To be classified under MSME as per Investment in Plant & Machinery / Equipment as specified under MSMED Act 2006.</p> <table border="1"> <thead> <tr> <th>Sr. No.</th> <th>Purpose/Activity</th> <th>Segment Code</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Micro Manufacturing (Investment in Plant & Machinery up-to Rs.25Lakh)</td> <td>502, 503, 504, 505</td> </tr> <tr> <td>2</td> <td>Small Manufacturing (Investment in Plant & Machinery above Rs.25Lakh up-to Rs.5Crore)</td> <td>501</td> </tr> <tr> <td>3</td> <td>Medium Enterprises Manufacturing (Investment in Plant & Machinery above Rs.5Crore up-to Rs.10Crore) – Without Maximum Sanction Limit</td> <td>615</td> </tr> <tr> <td>4</td> <td>Micro Service (Investment in Equipment up to Rs.10Lakh)</td> <td>603,604 605,606</td> </tr> <tr> <td>5</td> <td>Small Service (Investment in Equipment above Rs.10Lakh up-to Rs.2Crore)</td> <td>602</td> </tr> <tr> <td>6</td> <td>Medium Service Enterprises-Priority Sector (Investment in Equipment above Rs.2Crore but not exceed Rs.5Crore)</td> <td>616</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Sr. No.	Purpose/Activity	Segment Code	1	Micro Manufacturing (Investment in Plant & Machinery up-to Rs.25Lakh)	502, 503, 504, 505	2	Small Manufacturing (Investment in Plant & Machinery above Rs.25Lakh up-to Rs.5Crore)	501	3	Medium Enterprises Manufacturing (Investment in Plant & Machinery above Rs.5Crore up-to Rs.10Crore) – Without Maximum Sanction Limit	615	4	Micro Service (Investment in Equipment up to Rs.10Lakh)	603,604 605,606	5	Small Service (Investment in Equipment above Rs.10Lakh up-to Rs.2Crore)	602	6	Medium Service Enterprises-Priority Sector (Investment in Equipment above Rs.2Crore but not exceed Rs.5Crore)	616			
Sr. No.	Purpose/Activity	Segment Code																								
1	Micro Manufacturing (Investment in Plant & Machinery up-to Rs.25Lakh)	502, 503, 504, 505																								
2	Small Manufacturing (Investment in Plant & Machinery above Rs.25Lakh up-to Rs.5Crore)	501																								
3	Medium Enterprises Manufacturing (Investment in Plant & Machinery above Rs.5Crore up-to Rs.10Crore) – Without Maximum Sanction Limit	615																								
4	Micro Service (Investment in Equipment up to Rs.10Lakh)	603,604 605,606																								
5	Small Service (Investment in Equipment above Rs.10Lakh up-to Rs.2Crore)	602																								
6	Medium Service Enterprises-Priority Sector (Investment in Equipment above Rs.2Crore but not exceed Rs.5Crore)	616																								
4	Nature of Facility	Bills discounting (advance against Factoring unit)																								
5	Process flow	<p>1. Process Flow for TReDS Transactions shall be as under:</p> <ul style="list-style-type: none"> ➤ Corporate buyer sends purchase order to MSME seller. ➤ Shipment of goods from MSME Seller to Buyer : MSME seller delivers the goods along with an invoice. There may or may not be an accepted bill of exchange depending on the trade practice between the buyer and the seller. ➤ Seller Uploads Invoice on TReDS online Platform : Thereafter, on the basis of either an invoice or a bill of exchange, the MSME seller creates a ‘factoring unit’ on TReDS (Invoice converts as Factoring unit.) If the seller uploads the invoice,(and/ or bill of exchange),it is factoring, but if the Buyer uploads the invoice etc., it is called reverse factoring. However there is no difference for the financier in both these. ➤ The TReDS will have separate modules for transactions with invoices and transactions with Bills of Exchange. Factoring units may be created in each module as required. Each such unit will have the same sanctity and enforceability as allowed for physical instruments under the “Factoring Regulation Act, 2011” or under the “Negotiable Instruments Act, 1881”.The standard format / features of the ‘factoring unit’ are decided by the TReDS. The bill/invoice amount will have a pre-defined face value with no Minimum cap but with upper cap of Rs. 100 Lakhs per bill per Invoice. 																								

		<ul style="list-style-type: none"> ❖ Each factoring unit will represent a confirmed obligation of the buyer corporate, and will carry the following relevant details – <ul style="list-style-type: none"> ➤ Details of the Seller and the Buyer, ➤ Issue date (could be the date of acceptance), ➤ Due date, tenor (due date minus issue date), ➤ Balance tenor (due date minus current date), ➤ Amount due, ➤ Unique identification number is generated by TReDS, ➤ Account details of seller for branch’s reference (for credit at the time of financing), ➤ Account details of buyer for branch’s reference (for debit on the due date), ➤ Underlying commodity or service (if enabled). ➤ Buyers Accepts Invoice online: The buyer also logs on to TReDS and flags this factoring unit as ‘accepted’. ❖ The TReDS will be facilitating filtering of factoring units by branch or respective MSMEs / Corporate Buyers. In view of the expected high volumes to be processed under TReDS, this will provide the necessary flexibility of operations to the stakeholders. ❖ The buyer’s bank and account details form an integral feature of the factoring unit. The creation of a factoring unit on TReDS shall result in automatic generation of a notice / advice to the buyer’s bank informing them of such units. Similarly, financing by a branch shall generate another notice / advice to the buyer’s bank to enable a direct debit to the buyer’s account on the due date in favour of the branch (based on the settlement obligations generated by the TReDS). ❖ These factoring units will be available for financing by any of the branches registered on the system. The all-in-cost bid quoted by the branch will be available on the TReDS. This pricing can only be viewed by the MSME seller and not available for other branches. ❖ There will be a window period (Presently 5 days) provided for branch to quote their bids against factoring units. Branch will be free to determine the time-validity of their bid price. Once accepted by the MSME seller, there will be no option for branch to revise their bids quoted online. ❖ The MSME seller is free to accept any of the bids and the branch will receive the necessary intimation. Branch will finance the balance tenor on the factoring unit. ❖ The TReDS will standardize the time window available as per point no. 6 for corporate buyers to ‘accept’ the factoring units, which may vary based on the underlying document – an invoice or bill of exchange. Supporting documents evidencing movement of goods etc. may also be hosted by the MSME seller on the TReDS. <ul style="list-style-type: none"> ➤ Cost Bearer - Seller / Buyer who ever accepts the Bid ➤ In Auction - Financers Bid : Once a bid is accepted, the factoring unit will get tagged as “financed” and the funds will be credited to the seller’s account by the branch on T+1 basis (T being the date of bid acceptance). The actual settlement of such funds will be as outlined under the Settlement section. ➤ RXIL Generates Obligations ➤ Leg 1- Financer pays Vendor (T+1) ➤ Once financed, these instruments will be rated by the TReDS on the basis of an external rating of the buyer corporate, the nature of the underlying instrument
--	--	--

		<p>(invoice or bill of exchange), previous instances of delays or defaults by the buyer corporate w.r.t. transactions on TReDS etc.</p> <ul style="list-style-type: none"> ➤ In the event that a factoring unit remains unfinanced, the buyer corporate will pay the MSME seller outside of the TReDS. ➤ In order to meet the requirements of various stakeholders, the TReDS will be providing various types of MIS reports including intimation of total receivables position, financed and unfinanced (to MSME sellers); intimation of outstanding position, financed and unfinanced with details of beneficiaries and beneficiary accounts to be credited (for corporate buyers); total financed position for branches; etc. ➤ Similarly, data on unfinanced factoring units in the market shall also be made available by the TReDS. The system shall generate due date reminders to relevant parties, notifications to be issued to bankers when a factoring unit is financed, notifications to be issued to buyers once a factoring unit related to their transaction is traded in the secondary segment, etc. ➤ Leg-II Buyer pays the Branch-bank: On the due date, the branch will have to receive funds from the corporate buyer. The TReDS will send due notifications to corporate buyers and their banks advising them of payments due. The actual settlement of such funds will be as outlined under the Settlement section. ➤ The Buyer may request for extension of time for payment from the branch or may fail to pay the bid amount. In that case there is no recourse to the seller. Branch has to proceed against the buyer through legal recourse. In case branch requests, documents available with the RXIL TReDS platform will be given to the branch. ➤ Non-payment by the buyer on the due date to their banker should tantamount to a default by the buyer and attract penal provisions and enable the banker to proceed against the corporate buyer. Any action initiated in this regard, will be strictly non-recourse with respect to the MSME sellers 														
6	<u>Timings for trading on TReDS platform:</u>	<ul style="list-style-type: none"> ➤ <u>Timings for trading on TReDS platform:</u> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Activity</th> <th style="width: 40%;">Timings</th> </tr> </thead> <tbody> <tr> <td>TReDS platform</td> <td>9:00 AM – 9:00 PM</td> </tr> <tr> <td>Auction Period</td> <td>1 – 5 days</td> </tr> <tr> <td>Auction Timing</td> <td>9:00 AM – 9:00 PM</td> </tr> <tr> <td>Auction Cutoff Timing (T+1) Settlement</td> <td>3:00 PM</td> </tr> <tr> <td>Leg 1 Settlement – Branch to pay Seller</td> <td>T+1</td> </tr> <tr> <td>Leg 2 Settlement – Buyer to pay Branch</td> <td>Due Date</td> </tr> </tbody> </table>	Activity	Timings	TReDS platform	9:00 AM – 9:00 PM	Auction Period	1 – 5 days	Auction Timing	9:00 AM – 9:00 PM	Auction Cutoff Timing (T+1) Settlement	3:00 PM	Leg 1 Settlement – Branch to pay Seller	T+1	Leg 2 Settlement – Buyer to pay Branch	Due Date
Activity	Timings															
TReDS platform	9:00 AM – 9:00 PM															
Auction Period	1 – 5 days															
Auction Timing	9:00 AM – 9:00 PM															
Auction Cutoff Timing (T+1) Settlement	3:00 PM															
Leg 1 Settlement – Branch to pay Seller	T+1															
Leg 2 Settlement – Buyer to pay Branch	Due Date															
7	<u>Exposure limit under TReDS business / RXIL Platform:</u>	<p><u>Exposure limit under TReDS business / RXIL Platform:</u> Maximum exposure limit of Rs. 500 crores under TReDS transactions on RXIL platform.</p>														
8	<u>Exposure on Buyers Corporate/ Public Sector Undertaking /</u>	<p><u>Exposure on Buyers Corporate/ Public Sector Undertaking / under TReDS business :</u> RXIL shares with the Registered Financing Institutions the list of Buyers / Corporates registered with them on their on line platform for TReDS business. Following documents will be shared by the RXIL of these Buyers / Corporates:</p>														

	<u>under TReDS business</u>	<ul style="list-style-type: none"> ➤ KYC & Due diligence will be done by the RXIL and will be available on their online Site for view. ➤ Balance Sheets of buyers for 2/3 years. ➤ RXIL is taking a comprehensive credit report of buyers from CRISIL which will be available to banks which will help the bank in deciding the exposure to be taken on the concern buyer under TReDS business. ➤ As Sellers are units under MSMED Act 2006, the assessment will be based on investment in Plant & Machinery and Investment in Equipment as specified in MSMED Act 2006.
9	<u>Designation of Branch for doing business under TReDS</u>	<p>Designation of Branch for doing business under TReDS: Initially CFB Nariman point branch is the designated branch for operating on the RXIL TReDS platform. CFB Branch will ensure processing and sanctioning of individual limits Buyer wise prior to trading on the platform. All the financials required for processing will be available in soft copy on the platform and branch can take support of RXIL officials. CFB, Narimanpoint branch will sanction exposure limit for each buyer as well as each seller within his/her lending powers and above their lending powers, they will obtain sanction from respective authority</p>
10	<u>USER, Different Users, USERLimit and Allocation of Power to Bid Manager</u>	<p><u>(Please refer RXIL TReDS Guidance Notes for details)</u> USER and USER Limit and Allocation of Power to Bid Manager: CFB Nariman Point (Dy. General Manager / Asst. General Manager, whoever is Incharge) authorized for assigning user (preferably officer in scale IV from the department) for undertaking transactions under TReDS on RXIL Platform. CFB Narimanpoint In charge, who has been nominated as Admin user, will arrange for creation of USER ID of the concerned officer on RXIL portal for undertaking transactions. On the platform maker and checker roles are available in addition to different user types such as Admin, Limit Manager, Bidding Manager, Penalty Manager, and Obligation Manager. In the event of change of Admin User at any point of time, it shall be the responsibility of the Bank to inform RXIL promptly in writing. The existing Admin User will be disabled by RXIL only on receipt of such request from the Financier. Similarly, Bank has to submit a written request to RXIL for change and activation of new Admin User along with the documents / information Admin User can assign any or all of the following roles to other operational users Limit Manager: The user with this role will be able to set up all the four type of limits viz. Platform limit, Buyer's limit, Seller wise limit and user limit Bidding Manager: The user with this role will be able to place/ modify bids on the factoring units available for auction pertaining to Buyers on which financier(Limit Manager) has set a limit Penalty Manager: The user with this role will be able to set up the Penalty schedule. This shall be used in case the financier agrees with the request of the Buyer for extension of Leg 2 Due Date Obligation Monitor: The user with this role will be able to view the obligation screen and shall have view rights of Limit set up, Bidding and penalty schedule. This user cannot create or</p>

		<p>modify Bids and Penalty Creation of these users will be arranged for creation by In charge CFB Narimanpoint who is Admin user. Please note that : Exposure limit for each buyer will have to be defined and this buyer cannot exceed platform limit across all buyers and associated buyer limit cannot exceed limit of seller to whom these borrowers are linked or associated. Exposure limit for each seller will have to be defined and seller limit cannot exceed associated buyer limit.</p>
11	Roles and responsibilities of different users	<p>ADMIN</p> <ul style="list-style-type: none"> • Creating other users viz. Limit Manager, Bidding Manager, Penalty Manager, Obligation Monitor, etc. • Managing all Participant related maintenance activities i.e., profile information maintenance, management information maintenance, user maintenance, unit maintenance, Client maintenance, bank account maintenance • Effecting payment of fees etc. • Overseeing the overall operations / transactions of the Participant on the TReDS platform. <ul style="list-style-type: none"> • Monitor the activities of other user through view access or taking on operational responsibility on the TReDS platform.. • <p>LIMIT MANAGER</p> <ul style="list-style-type: none"> • Define all types of limits viz. Platform Limit and User Limit as per the approval of Board on policy in this regard. • Check out the email received from RXIL on Names of new Buyer or a Seller getting registered on the TReDS platform. • Check Names of Buyers and Sellers, for internal due diligence. • As per the approval of RBI on Business Rules for RXIL TReDS (Refer Annexure A) RXIL while on-boarding Buyer/ Seller/Financer on TReDS platform conducts KYC as per the KYC guidelines issued by the RBI. Therefore, Bank can rely on the KYC formalities conducted by RXIL while opening Bill Discounting Account of Buyers (Non Customers) in CBS. Clarification in this regard is to be sought from RBI. • For existing customer (Buyers) on whom the limits are to be set, existing KYC done by Home Branch / Relationship Manager may be used. Advise the respective Home Branch / Relationship Manager about the limits being set up on TReDS platform. • For non-customer (Buyer/Seller), KYC done by RXIL TReDS team will be used/ accepted. • Set up / modify all other types of limits (Buyer Limit / Seller sub limit, etc) as per requirement as per the approval of policy from the Board. • In case of requirement to set up User Level Limit, obtaining approval of In charge CFB branch <ul style="list-style-type: none"> • Set up interest rate range to be used to bid on particular buyer as per the approval policy from the Board • Administrator (Admin user) can fix and make changes in the Limits entered by Limit Manager.

BID MANAGER

- Check if Limit Manager has defined limit on the buyer, on whose factoring unit Bank would like to bid.
- Check "Auction Start Date" to the "Auction End Date" defined by RXIL on notification page of RXIL website and adhere to the same while bidding.
- Add required Factoring Units available for auction, on the Bidding Screen for bidding and monitoring purpose.
- Decide on Bid rate to be quoted and concessions in it within authorization provided as per the approval of Board.
- Seek approval of MD and CEO in case of quoting concessions beyond what has been authorized as per the approval of Board.
- Decide on the Bid to be 'Reserved Bid' and 'Open Bid'
- Check out the 'Mandatory' & 'Optional' documents attached to the factoring unit on the TReDS platform.
- Check who is the cost bearer (Buyer/Seller), what is the 'Cap Rate' acceptable to the cost bearer.
- Define interest to be collected as part of Leg-1 (Upfront) or as part of Leg-2 (rare end).
- In case of financing fraction of the Factoring Unit, specify a retention margin as the fraction (in percentage terms) of the amount of factoring unit.
- Define time validity of the bid, the number of days for which Bank wants the bid to remain valid for the Factoring Unit. (Good Till Date).
- Place/modify bids on the factoring units available for auction (Pertaining to the buyers on which the Limit Manager has set a limit), only the original bid maker can modify/change the bid.
- Administrator (Admin user) officer can fix and make changes in the Bid made by Bid Manager.

PENALTY MANAGER

- Penalty Manager will set up the penalty schedule. This shall be used in case the Bank agrees with the request of the Buyer for extension of Leg 2 due date.
 - Penalty for extension of due date will be 2% of the bill amount and interest for the extended period at 2% over the applicable interest prevalent on the due date
- In case of the default by the Buyer, take up with the Buyer to settle such transactions.
- In case the buyer put in a request to extend the due date upto a maximum of 15 working days subject to pre-defined penalty structure as defined by the Bank, the Bid Manager will put up the request to the Incharge CFB, Narimanpoint for approval or otherwise and he (the incharge) will decide to extend the period or otherwise. Revert to the Buyer conveying Bank's willingness or otherwise to extend the due date.
- In case Bank agrees to extend the due date, advise on revised interest rate and penalty, if any payable by the buyer.
- In case, Buyer accepts Bank's decision to extend the due date, note the new due date along with the revised amount payable by the buyer.
- In case of default by the buyer, recovery measures including legal proceedings will be initiated against the buyer.

		<p>OBLIGATION MONITOR</p> <ul style="list-style-type: none"> •The user with this role will be able to view the obligation screen and shall have view rights of Limit set-up, Bidding and Penalty schedule. This user cannot create or modify Limit, Bids and Penalty. <p>Overall TReDS Exposure Limit: Rs.500 crores</p> <p>Sub Limits against individual Seller within the overall Buyer level limit, registered and associated with the specified Buyer on the TReDS Platform: 20% of the respective buyer’s Limit</p> <p>User Level Limit to be Rs.10 cr per day per user</p> <p>The Limits mentioned above will be subject to modification with the approval of MD and CEO.</p>																
12	Types Of Bids Available	<p>There are two types of Bids available i.e. Open Bid & Reserved Bid.</p> <ul style="list-style-type: none"> • Under Open bid: Exposure limit for the bid is not blocked upfront At the time of acceptance of the bid, system will check if the branch has available limit for the bid to go through If the branch does not have available limit then bid will not be accepted even if the bid may be the best bid. • Under Reserved Bid: Exposure limit for the bid is blocked upfront. The total available limit for the bank decreases. Since limit is blocked upfront, there is a guarantee that the bid will be accepted if it is the best bid. Bidding information: <ul style="list-style-type: none"> • Bid can be entered in auction for Buyers where limits have been defined • Bid can be modified or withdrawn until these are accepted by cost bearer • Bid once accepted cannot be withdrawn • Own bids are identified by * • Two user from same branch cannot bid for same invoice • Branch name not disclosed until bid is accepted by the cost bearer. 																
13	TReDS Presentation Session	<p>TReDS Presentation Session is as follows:</p> <table border="1" data-bbox="464 1518 1453 1895"> <thead> <tr> <th>Sr. No.</th> <th>TReDS Session</th> <th>Presentation</th> <th>Return</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Debit</td> <td>07:00 AM to 08:00 AM</td> <td>09:00 AM to 11:00 AM</td> </tr> <tr> <td>2</td> <td>Credit1</td> <td>12:00 Noon to 12:30 PM</td> <td>01:30 PM to 02:30 PM</td> </tr> <tr> <td>3</td> <td>Credit2</td> <td>03:30 PM to 04:00 PM</td> <td>04:30 PM to 05:00 PM</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • No extension will be granted by NPCI. <p>Debit transactions not responded by destination bank will be treated as deemed return and settlement will be reversed</p>	Sr. No.	TReDS Session	Presentation	Return	1	Debit	07:00 AM to 08:00 AM	09:00 AM to 11:00 AM	2	Credit1	12:00 Noon to 12:30 PM	01:30 PM to 02:30 PM	3	Credit2	03:30 PM to 04:00 PM	04:30 PM to 05:00 PM
Sr. No.	TReDS Session	Presentation	Return															
1	Debit	07:00 AM to 08:00 AM	09:00 AM to 11:00 AM															
2	Credit1	12:00 Noon to 12:30 PM	01:30 PM to 02:30 PM															
3	Credit2	03:30 PM to 04:00 PM	04:30 PM to 05:00 PM															

14		<p style="text-align: center;">●Activities done by RXIL:</p> <table border="1" data-bbox="427 271 1457 954"> <thead> <tr> <th data-bbox="427 271 1070 327">Activity</th> <th data-bbox="1070 271 1321 327">MSME Vendor</th> <th data-bbox="1321 271 1457 327">Buyers</th> </tr> </thead> <tbody> <tr> <td data-bbox="427 327 1070 383">Participant Onsite Visit Report</td> <td data-bbox="1070 327 1321 383" style="text-align: center;">●</td> <td data-bbox="1321 327 1457 383" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="427 383 1070 439">Seller CA Certificate for MSME</td> <td data-bbox="1070 383 1321 439" style="text-align: center;">●</td> <td data-bbox="1321 383 1457 439"></td> </tr> <tr> <td data-bbox="427 439 1070 495">Online MSME self-declaration by Seller</td> <td data-bbox="1070 439 1321 495" style="text-align: center;">●</td> <td data-bbox="1321 439 1457 495"></td> </tr> <tr> <td data-bbox="427 495 1070 551">Working Capital Bank</td> <td data-bbox="1070 495 1321 551" style="text-align: center;">●</td> <td data-bbox="1321 495 1457 551"></td> </tr> <tr> <td data-bbox="427 551 1070 607">KYC Documents</td> <td data-bbox="1070 551 1321 607" style="text-align: center;">●</td> <td data-bbox="1321 551 1457 607" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="427 607 1070 663">Master Agreement – Buyers & Sellers</td> <td data-bbox="1070 607 1321 663" style="text-align: center;">●</td> <td data-bbox="1321 607 1457 663" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="427 663 1070 719">CRISIL Commercial Credit Report for Buyers</td> <td data-bbox="1070 663 1321 719"></td> <td data-bbox="1321 663 1457 719" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="427 719 1070 775">Notice of Assignment on Leg1 Settlement</td> <td data-bbox="1070 719 1321 775" style="text-align: center;">●</td> <td data-bbox="1321 719 1457 775" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="427 775 1070 831">Email Alerts for transactions</td> <td data-bbox="1070 775 1321 831" style="text-align: center;">●</td> <td data-bbox="1321 775 1457 831" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="427 831 1070 887">De Dupe Check within Platform</td> <td data-bbox="1070 831 1321 887" style="text-align: center;">●</td> <td data-bbox="1321 831 1457 887" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="427 887 1070 954">De Dupe Check across Platform</td> <td data-bbox="1070 887 1321 954" style="text-align: center;">●</td> <td data-bbox="1321 887 1457 954" style="text-align: center;">●</td> </tr> </tbody> </table> <p data-bbox="427 999 1541 1245">CFB Narimanpoint branch has to refer to Central Office circular no. CO:MSME: 2017-18: 594 07.11.2017 on Revision in Business Strategy Spread on loans with Marginal Cost based Lending Rate (MCLR) for MSME advances and concession in ROI where collateral securities are offered got ROI on Inland bill discounting for MSME units , (as these funds are extended towards working capital of MSME Sellers , the ROI chargeable will be as per ROI worked out for working capital limits for MSME units .)</p>				Activity	MSME Vendor	Buyers	Participant Onsite Visit Report	●	●	Seller CA Certificate for MSME	●		Online MSME self-declaration by Seller	●		Working Capital Bank	●		KYC Documents	●	●	Master Agreement – Buyers & Sellers	●	●	CRISIL Commercial Credit Report for Buyers		●	Notice of Assignment on Leg1 Settlement	●	●	Email Alerts for transactions	●	●	De Dupe Check within Platform	●	●	De Dupe Check across Platform	●	●
Activity	MSME Vendor	Buyers																																							
Participant Onsite Visit Report	●	●																																							
Seller CA Certificate for MSME	●																																								
Online MSME self-declaration by Seller	●																																								
Working Capital Bank	●																																								
KYC Documents	●	●																																							
Master Agreement – Buyers & Sellers	●	●																																							
CRISIL Commercial Credit Report for Buyers		●																																							
Notice of Assignment on Leg1 Settlement	●	●																																							
Email Alerts for transactions	●	●																																							
De Dupe Check within Platform	●	●																																							
De Dupe Check across Platform	●	●																																							
15	<p>The Bidding Limit for buyers and sellers and Bidding discount range</p>	<p>The Bidding Limit for buyers and sellers and Bidding discount range are given below:</p> <table border="1" data-bbox="427 1357 1497 2020"> <thead> <tr> <th data-bbox="427 1357 624 1435">Particulars of Seller</th> <th data-bbox="624 1357 887 1435">Particulars of Buyer</th> <th data-bbox="887 1357 1023 1435">Bidding Limit</th> <th data-bbox="1023 1357 1497 1435">Bidding Discount range</th> </tr> </thead> <tbody> <tr> <td data-bbox="427 1435 624 1547">At Platform level</td> <td data-bbox="624 1435 887 1547">At Platform level</td> <td data-bbox="887 1435 1023 1547">500 Crore</td> <td data-bbox="1023 1435 1497 1547">1/3/6 Months MCLR* + 0.10 to 1.00 %</td> </tr> <tr> <td data-bbox="427 1547 624 2020" rowspan="2">Seller - MSME Unit</td> <td data-bbox="624 1547 887 1659">Buyer--- PSUs</td> <td data-bbox="887 1547 1023 1659">100 Crore</td> <td data-bbox="1023 1547 1497 1659">Permitted to quote up to 1/3/6 Months MCLR * +0.10 to .60%</td> </tr> <tr> <td data-bbox="624 1659 887 2020"> Corporates: Buyer our client AAA rated AA A BBB (internal rating up to CBI VI) New clients AAA </td> <td data-bbox="887 1659 1023 2020"> 10.00 cr 8.00 cr 6.00 cr 4.00 cr 5.00 cr </td> <td data-bbox="1023 1659 1497 2020"> 1/3/6 Month MCLR+.10 to .60% 1/3/6 Month MCLR+.20 to .70% 1/3/6 Month MCLR+.30 to .80% 1/3/6 Month MCLR+.40 to 1.00% </td> </tr> </tbody> </table>				Particulars of Seller	Particulars of Buyer	Bidding Limit	Bidding Discount range	At Platform level	At Platform level	500 Crore	1/3/6 Months MCLR* + 0.10 to 1.00 %	Seller - MSME Unit	Buyer--- PSUs	100 Crore	Permitted to quote up to 1/3/6 Months MCLR * +0.10 to .60%	Corporates: Buyer our client AAA rated AA A BBB (internal rating up to CBI VI) New clients AAA	10.00 cr 8.00 cr 6.00 cr 4.00 cr 5.00 cr	1/3/6 Month MCLR+.10 to .60% 1/3/6 Month MCLR+.20 to .70% 1/3/6 Month MCLR+.30 to .80% 1/3/6 Month MCLR+.40 to 1.00%																					
Particulars of Seller	Particulars of Buyer	Bidding Limit	Bidding Discount range																																						
At Platform level	At Platform level	500 Crore	1/3/6 Months MCLR* + 0.10 to 1.00 %																																						
Seller - MSME Unit	Buyer--- PSUs	100 Crore	Permitted to quote up to 1/3/6 Months MCLR * +0.10 to .60%																																						
	Corporates: Buyer our client AAA rated AA A BBB (internal rating up to CBI VI) New clients AAA	10.00 cr 8.00 cr 6.00 cr 4.00 cr 5.00 cr	1/3/6 Month MCLR+.10 to .60% 1/3/6 Month MCLR+.20 to .70% 1/3/6 Month MCLR+.30 to .80% 1/3/6 Month MCLR+.40 to 1.00%																																						

			AA A BBB	4.00 cr 3.00 cr 2.00 cr	1/3/6 Month MCLR+.10 to .60% 1/3/6 Month MCLR+.20 to .70% 1/3/6 Month MCLR+.30 to .80% 1/3/6 Month MCLR+.40 to 1.00%																														
		<p>The branch is permitted to quote competitive rates in the range depending on the trend on the platform, type of seller and type of buyer.</p> <p>*The MCLR is to be selected based on the duration of the factoring unit from probable acceptance date till due date of the factoring unit.</p> <p>BUYERS LIMIT:</p> <p>The maximum limit on each individual buyer is to be mapped to External rating of the Buyer and existing working capital limit in existing borrowers and as per their Turnover in case of New borrowers</p> <p>For existing customers enjoying working capital limits with us</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Limits to be assigned</th> <th>Max Limit (in crores)</th> </tr> </thead> <tbody> <tr> <td>AAA</td> <td>15% of the existing WC limit</td> <td>10</td> </tr> <tr> <td>AA</td> <td>12% of the existing WC limit</td> <td>8</td> </tr> <tr> <td>A</td> <td>10% of the existing WC limit</td> <td>6</td> </tr> <tr> <td>BBB</td> <td>8% of the existing WC limit</td> <td>4</td> </tr> </tbody> </table> <p>For New Customers</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Limits to be assigned</th> <th>Max Limit (in crores)</th> </tr> </thead> <tbody> <tr> <td>AAA</td> <td>15% of Annual Turnover</td> <td>5</td> </tr> <tr> <td>AA</td> <td>12% of Annual Turnover</td> <td>4</td> </tr> <tr> <td>A</td> <td>10% of Annual Turnover</td> <td>3</td> </tr> <tr> <td>BBB</td> <td>8% of Annual Turnover</td> <td>2</td> </tr> </tbody> </table>				Category	Limits to be assigned	Max Limit (in crores)	AAA	15% of the existing WC limit	10	AA	12% of the existing WC limit	8	A	10% of the existing WC limit	6	BBB	8% of the existing WC limit	4	Category	Limits to be assigned	Max Limit (in crores)	AAA	15% of Annual Turnover	5	AA	12% of Annual Turnover	4	A	10% of Annual Turnover	3	BBB	8% of Annual Turnover	2
Category	Limits to be assigned	Max Limit (in crores)																																	
AAA	15% of the existing WC limit	10																																	
AA	12% of the existing WC limit	8																																	
A	10% of the existing WC limit	6																																	
BBB	8% of the existing WC limit	4																																	
Category	Limits to be assigned	Max Limit (in crores)																																	
AAA	15% of Annual Turnover	5																																	
AA	12% of Annual Turnover	4																																	
A	10% of Annual Turnover	3																																	
BBB	8% of Annual Turnover	2																																	
	RBI guidelines on Factoring Services are applicable.																																		
16	Risk Mitigation	<p>Risk Mitigation:</p> <p>Branch should carry out a thorough credit appraisal of the debtors i.e. Buyers before entering into bidding operation. (i.e. branch has to do loan processing for all buyers on the RXIL TReDS platform and sanction limits for each buyer. The sanctioning powers will be as per Lending Powers mentioned in Bank's Loan Policy issued time to time.)</p>																																	
17	Exposure Norms-Single and Group Borrower Limits	<p>Exposure Norms-Single and Group Borrower Limits:</p> <p>The exposure shall be reckoned as under:</p> <p>As the facility is factoring services on without-recourse basis, the exposure would be reckoned on the debtor i.e. on the Buyer in this case, irrespective of credit risk cover/protection provided, except in cases of international factoring where the entire credit risk has been assumed by the import factor. For sanction purposes the exposure to the Buyer should be kept out of Group exposure norms and has to be sanctioned on Stand Alone basis. However for reporting purposes, it will be clubbed with the main exposure</p>																																	
18	Accounting Treatment and Disclosure Norms	<p>Accounting Treatment and Disclosure Norms:</p> <p>Advances under the Scheme will be treated as part of loans and advances. Accordingly, the same to be reported under the head 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet of the bank</p>																																	

		Balance Sheet department to ensure that a separate disclosure be made in the 'Notes' forming part of the Accounts (Schedule 18 of the Balance Sheet) with regard to factoring exposures.
19	Exchange of Information	Exchange of Information: For the purpose of exchange of information, the assignor will be deemed to be the borrower. Branch should share information about common borrowers. The format in which such information will be as per Indian Banks' Association format. As the borrower's bank may also obtain from the borrower periodical certificates regarding factored receivables to avoid double financing. The Factor (in this case CFB Branch), must ensure to intimate the limits sanctioned to the borrower to the concerned banks and details of debts factored taking responsibility to avoid double financing. In this case RXIL will intimate the Seller banker immediately on the debts factored on the platform. This could be cross checked with the certificate obtained by banks from borrowers. Other sources, such as, information available with CERSAI on receivables assigned may also be considered.
20	Submission of Credit Information to CICs:	Submission of Credit Information to CICs: In the event a receivable is overdue, credit information regarding the non-payment of dues by the person on whom exposure was booked should be furnished to the Credit Information Companies (in this case Credit Information Bureau (India) Ltd., has been granted Certificate of Registration by RBI. Such reporting would be subject to the guidelines under Credit Information Companies (Regulation) Act, 2005. In our bank the data is collected by CIBIL Department from Adhoc reports and uploaded to CIBIL website on monthly intervals).
21	Adherence to KYC Guidelines:	Adherence to KYC Guidelines: The instructions/guidelines on KYC/AML/CFT issued by RBI from time to time, should be adhered to by branch in respect of all buyers. Branch can obtain the documents made available by RXIL on the TReDS platform and check-up whether all documents are obtained as per RBI guidelines or not. If any document is not available the same can be obtained from RXIL
22	<u>Accounting at Bank level:</u>	<u>Accounting at Bank level:</u> Based on Obligation / fact sheet given by RXIL for successful bid, bank will open individual buyer wise loan accounts for the tenure as per fact sheet. Bank will disburse the said loan accounts and nullify the debit entry done at Leg 1 level in the Overdraft account. The amount outstanding in this account will be categorized under MSME as per investment criteria for plant and machinery and investment in equipment mentioned in MSMED Act 2006 of the Seller. <u>Opening of overdraft account for Auto Debit of transactions under TReDS:</u> In other words, Branch to open an overdraft account, for enabling RXIL to Auto debit the bid amount at Leg1 i.e Branch Pays to Vendor (T+1), after accepting the bid by buyer / seller and generation of obligations by RXIL. The limit for Overdraft account in the name of "RXIL TReDS Settlement Account" to be assigned by the branch after opening the account. The overall debit limit of OD accounts will be decided based on the transaction flow and it will be decided by CFB branch Nariman Point. All the debit / credit transactions on TReDS platform will be routed through this OD account only. This account is to be utilized for transactions

		<p>effected through RXIL- TReDS platform.</p> <p>Branch has to open individual Bill discounting accounts in the name of Buyer with MSME segment codes based on investment in Plant and Machinery / Equipment of the MSME Seller, which will be linked to Assets of the branch in the Balance Sheet of the branch.</p> <p>After the payment is effected in the Overdraft account RXIL TReDS SETTLEMENT ACCOUNT the amount advanced against factoring to Seller has to be debited to the Bill discounting account of the Buyer at the end of the day i.e. at the EOD , the Overdraft account of RXIL TReDS SETTLEMENT ACCOUNT should be made NIL and Bill discounting account of Buyer will be showing amount of advance made under the factoring .</p> <p>On due date i.e at Leg 2 - Buyer pays Financer, the amount credited by the NPCI to our OD account will be transferred to concerned loan account towards repayment and this loan account will be closed.</p> <p>In case the successful bid is first transaction of the Buyer with the Bank on the RXIL- TReDS platform, the Limit Manager will open a 'RXIL-TReDS Bill Discounting account' in the name of the Buyer for the successful bids, limit will be set up in this account as per the approval of Board and use this account for corresponding Debit (creating liability on the Buyer). (A new product code namely 'Bill Discounted RXIL-TReDS" will be created for this purpose.)</p> <p>In case of further successful bids of the same Buyer, the existing 'RXIL - TReDS Bill Discounting Account' of the Buyer will be used for corresponding Debit (creating liability on the Buyer).</p> <p>The proceeds of above Debit entry will be Credited to the 'Designated Bank Account for RXIL-TReDS'. The Sponsor Bank of RXIL will auto Debit the funds on T+1 day from the 'Designated Bank Account for RXIL-TReDS'.</p> <p>On the due date, on receipt of the funds from the Buyer in the 'Designated Bank Account for RXIL- TReDS', the Limit Manager will reverse the entries and clear the liability in the 'RXIL - TReDS Bill Discounting Account' of the Buyer against the corresponding Bill / Factoring Unit</p>
23	<p><u>Accounting entries at RXIL & NPCI level: Obligation Document :</u></p>	<p><u>Accounting entries at RXIL & NPCI level:Obligation Document :</u></p> <p>RXIL will generate obligations for successful bids and send fact sheet to bank & NPCI.</p> <p>Payment of Interest: Interest will be borne / paid by either buyer or seller as per their internal agreement.</p> <p>Upfront: Interest will be paid upfront at Leg 1 level</p> <p>On Maturity: Interest will be paid on maturity at Leg 2 Level.</p> <p>In case of interest is paid / borne by seller it will be recovered upfront, and in case interest is paid / borne by buyer it may be recovered upfront or paid on maturity.</p> <p>On T+1, NPCI based on Auto debit mandate submitted by bank and fact sheet received from RXIL debit the OD account of bank and credit the same to supplier account.</p> <p>On due date i.e at Leg 2- Buyer pays Financer, based on obligation fact sheet generated by RXIL, NPCI will debit the obligation amount to buyer account and credit to OD account of bank / financer.</p>
24	<p><u>Assignment Document:</u></p>	<p><u>Assignment Document:</u></p> <p>Based on the obligation sheet, NPCI will debit the bank account and payment will be made to the seller against particular Invoice.</p> <p>Every such successful / settled Bids, RXIL will create assignment charge of the</p>

		concern bank and Assignment Document will be given to bank. Based on that assignment document, branch will register its charge on CERSAI within stipulated time of 30 days.
25	Tenure of TReDS Transaction:	Tenure of TReDS Transaction: The tenure of the TReDS transaction will be based on due date mentioned at the time of generation of invoices by seller with maximum period of 180 days.
26	Default by Buyer:	Default by Buyer: Dispute will not arise in this system as the invoice uploaded is accepted by our bank and after extending finance to seller, bank will obtain payment from buyer on the due date. In case buyer is not able to meet the obligation on due date, the buyer will seek extension of due date, which our bank may accept. RXIL TReDS platform allows the buyer to request for the extension in due date (maximum 15 days from the original due date). The said extension is allowed only if financier approves the extension request of the buyer. The extension request should be prior to the due date or within 3 days from the due date. Additional interest / penal interest will be levied by financier based on their internal policies and same should be agreed by the buyer. In case the buyer fails to pay the obligations on due date, an extension can be given with mutual understanding of the financier and the Buyer with interest on overdues as per bank loan Policy guidelines issued time to time. Even after extension of repayment period buyer fails to pay, bank can initiate the recovery proceeding against buyer. The necessary document required for such recovery proceeding / legal action will be given by the RXIL to Bank on request. As these TReDS transactions are without recourse to seller, branch can only initiate recovery action against buyer only. CFB Narimanpoint will initiate recovery action as per C.O guidelines. Any debit bounce (without any extension approved) from the buyer account will be treated as default and same should be separately dealt by the branch (outside the TReDS platform) as per the internal follow-up process of our bank i.e. in case there is a default in payment bank has to proceed against the buyer as per bank's recovery norms. RXIL will provide the entire necessary document to financier (submitted by the buyer to RXIL). Documents are as under : <ol style="list-style-type: none"> a. Application Form. b. Master Agreement. c. KYC documents of Company. d. KYC documents of Authorised signature. e. KYC documents of administration of buyer's company. f. Debit mandate. RXIL will also provide the audit trail of the particular transaction performed on TReDS platform by the buyer (if required).
27	Classification: Prudential Norms	Classification: Prudential Norms: As these advances are falling under Factoring services the advances so lent to be treated on par with loans and advances and accordingly extant prudential norms on loans and advances would be applicable to this activity. It is further clarified that a receivable acquired under factoring which

		is not paid within 90 days of the due date should be treated as non-performing asset (NPA) irrespective of when the receivable was acquired by the factor. The entity on which the exposure was booked should be shown as NPA and provisioning made accordingly.
28	Security	Factoring Unit i.e. invoice /bill of exchange against which bid is given by the bank
29	Settlement(Please refer RXIL Guidance Notes for details)	<ul style="list-style-type: none"> • In case the Bank account is sought to be changed, the revised mandate shall be provided to RXIL. • Ensure non-failure of Leg 1 obligations by maintaining sufficient funds in the 'Designated Bank account for RXIL-TReDS' between 7:00 AM to 11:00 AM on T+1 if transaction is done during 9.00 AM to 3.00 PM else on T+2 if transaction is done during 3.00 PM to 9.00 PM. • Ensure reversing the entries in CBS when funds are available in 'Designated Bank account for RXIL-TReDS' on due date i.e Leg 2. • Ensure sufficient limits in the 'Designated Bank account for TReDS' between 7:00 AM to 11:00 AM.
30	Procedure for CERSAI Registration	<ul style="list-style-type: none"> • The invoices that are financed on the TReDS platform need to be registered individually with CERSAI for assignment from Seller to the Branch. • To register the financed / factored invoices with CERSAI on whole turnover basis, the way Bank is currently doing it for factoring outside the TReDS Platform. • Register the satisfaction of Registration for assignment of receivables with CERSAI on the settlement of Leg 2 of the transaction.
31	Procedure for Default Management (Failure of Settlement)	<ul style="list-style-type: none"> • Bid Manager shall ensure non-failure of Leg 1 obligations by maintaining sufficient funds in the 'Designated Bank account for TReDS' • In case of request by the buyer to extend the due date as per the RXIL norms, the Penalty Manager will put up the request to the Incharge CFB Narimanpoint for approval or otherwise and he will decide to extend the period or otherwise. • A control report will be submitted in such cases, both for approval and rejection. • Penalty for extension of due date will be flat 2% on the Bill amount and the revised interest rate for the extended period will be 2% above the applicable Bills Discounting Rate prevalent on the due date. <p>In case of default by the buyer, recovery measures including legal proceedings will be initiated by Penalty Manager.</p>
32	Delegation	TReDS is an innovative concept and dynamic in nature. A greater flexibility is needed in the decision making so as to remain competitive on day to day basis. Presently TReDs will be operative from CFB Nariman Point Branch. Any new TReDS partner will be added with the specific permission of MD &CEO as per approval of the Board
33	Others	<ol style="list-style-type: none"> i. Every such successful / settled Bids, RXIL will create assignment charge of the concern bank and Assignment Document will be given to bank. Based on that assignment document, bank will register its charge on CERSAI within stipulated time period, 30 days at present. ii. Assessment including rating assessment of sellers and buyers should be done before bidding for the factoring unit. iii. Individual limit seller wise as well as buyer wise to be fixed. iv. In case of default, In case the buyer fails to pay the obligations on due date, an extension can be given with mutual understanding of the bank and the Buyer with or without any penalty or penal interest. Even after extension of repayment period

		<p>buyer fails to pay, bank can initiate the recovery proceeding against buyer. The necessary document required for such recovery proceeding / legal action will be given by the RXIL to Banks. As this TReDS transactions are without recourse to seller bank can only initiate recovery action against buyer only. Central Office guidelines for recovery have to be implemented.</p> <p>Iv In case the seller is our borrower, CFB branch will inform the concerned financing branch to ensure that invoice finance through Cent TReDS is not shown in the sundry debtor list to avoid double financing to the seller, though the undertaking is submitted to RXIL is given by the seller in this regard.</p>
--	--	---