1. TReDS Overview

The Reserve Bank of India on 29th June, 2017 has issued “Certificate of Authorization” to A.TREDS Limited for setting up and operating the institutional mechanism for facilitating the financing of trade receivables of MSMEs from corporate and other buyers, including Government Departments and Public Sector Undertakings (PSUs), through multiple financiers known as Trade Receivables Discounting System (TReDS).

The TReDS will facilitate discounting/ financing of both invoices as well as bills of exchange. Further, as the underlying entities are the same (MSMEs and corporate and other buyers, including Government Departments and PSUs), the TReDS could deal with both factoring as well as reverse factoring of trade receivable so that higher transaction volumes come into the system and facilitate better pricing through a competitive bidding mechanism.

A.TREDS Limited will be governed by Reserve Bank of India under the Payments and Settlement Systems Act 2007 and The Final Guidelines are issued by Reserve Bank of India under Section 10(2) read with Section 18 of Payment & Settlement Systems Act, 2007 (Act 51 of 2007).

The TReDS platform will facilitate Invoice Discounting/ Financing under the provision of Factoring Act 2011.

2. Summary of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>TReDS</td>
<td>Trade Receivables Discounting System</td>
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<td>PSU</td>
<td>Public Sector Undertaking</td>
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<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
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<td>BOE</td>
<td>Bill of Exchange</td>
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<td>KYC</td>
<td>Know your Customer</td>
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<td>ARN</td>
<td>Application Reference Number</td>
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<td>FU</td>
<td>Factoring Unit</td>
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<td>FAQ</td>
<td>Frequently Asked Questions</td>
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<td>TAT</td>
<td>Turn Around Time</td>
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<td>OTP</td>
<td>One Time Password</td>
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<td>NPCI</td>
<td>National Payments Corporation of India</td>
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<td>NACH</td>
<td>National Automated Clearing House</td>
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<td>RTGS</td>
<td>Real-Time Gross Settlement</td>
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<td>NEFT</td>
<td>National Electronic Funds Transfer</td>
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<td>RM</td>
<td>Relationship Manager</td>
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3. Participants

“Buyer” means purchaser of goods and services from MSMEs, having a valid and subsisting master agreement with TReDS for availing the Services provided by TReDS.

“Seller” means an MSME seller (as defined under MSMED Act 2006) of goods and services having a valid and subsisting master agreement with TReDS for availing the Services provided by TReDS.

“Financier” means a banking company as defined under the Banking Regulation Act, 1949, a non-banking financial company (Factors) as defined under the Reserve Bank of India Act, 1934 and any such other Persons as the RBI may permit to act as a financier under the RBI Guidelines, having a valid and subsisting master agreement with TReDS for availing the Services provided by TReDS.

4. Key Definitions

“Factoring Unit” means an Invoice or Bill of Exchange (or any other instrument as may be prescribed by the RBI) digitally uploaded by Seller or Buyer on the Website.

“Factoring” means acquisition of Receivables due and payable by Buyer to Seller under a Factoring Unit, by way of assignment and/or endorsement, as the case may be, of such Factoring Unit to Financier in consideration of funds advanced by Financier to Seller, which process is initiated by Seller.

“Reverse Factoring” means acquisition of Receivables due and payable by Buyer to Seller under an Invoice, by way of assignment and/or endorsement, as the case may be, of such Invoice to Financier in consideration of funds advanced by Financier to Seller, which process is initiated by Buyer.
5. Documents Required - Onboarding

The documentation required at the time of onboarding is as below:

**Factoring:**

**Buyer**
- Application Form
- Master Agreement
- Board Resolution/ Partnership Letter/ Partnership Resolution/ Trust Resolution
- KYC Documents for Entity
- KYC Documents for Authorised Signatories/ Entity Administrators
- Cancelled Cheque of Settlement Account

**Seller**
- Application Form
- Master Agreement
- Board Resolution/ Partnership Letter/ Partnership Resolution/ Trust Resolution
- KYC Documents for Entity
- KYC Documents for Authorised Signatories/ Entity Administrators
- Cancelled Cheque of Settlement Account
- MSME Certification/ Latest Balance Sheet/ CA Certificate

**Reverse Factoring:**

**Buyer**
- Application Form
- Master Agreement
- Board Resolution/ Partnership Letter/ Partnership Resolution/ Trust Resolution
- KYC Documents for Entity
- KYC Documents for Authorised Signatories/ Entity Administrators
- Cancelled Cheque of Settlement Account

**Seller**
- Application Form
- Master Agreement
- Board Resolution/ Partnership Letter/ Partnership Resolution/ Trust Resolution
- KYC Documents for Entity
- KYC Documents for Authorised Signatories/ Entity Administrators
- Cancelled Cheque of Settlement Account
- MSME Certification/ Latest Balance Sheet/ CA Certificate
The role and responsibilities for each participant on the platform are defined in detail in the Master Agreements to be signed between Participants and the platform.

6. Participants Onboarding

KYC Process:

Know Your Customer - KYC enables TReDS to know/ understand its customers and their financial dealings to be able to serve them better and manage its risks prudently.

Objective:

1. To establish the identity of the client: This means identifying the customer and verifying their identity by using reliable, independent source documents, data or information. For individuals, TReDS will obtain identification data to verify the identity of the customer, his address/ location and also his recent photograph. For non-individuals, TReDS will obtain identification data to:
   - verify the legal status of the legal person/ entity
   - verify identity of the authorized signatories and
   - verify identity of the Controllers / Administrators of the account

2. To ensure that sufficient information is obtained on the nature of employment/ business that the customer does / expects to undertake and the purpose of the account.

Current Process:

1. KYC will be carried out at the following stages:
   a. Opening a new account
   b. Opening a subsequent account where documents as per current KYC standards not been submitted while opening the initial account Opening
   c. When TReDS feels it necessary to obtain additional information from existing customers based on conduct of the account
   d. When there are changes to signatories, administrators etc

2. The customer contact point in TReDS will be the Relationship Manager or the local representative of TReDS, who opens the account and who is in touch with the customer for their transactions.

3. The TReDS will be entitled to refuse to open the account (for a prospective customer) or discontinue its relationship with a customer citing non-providing of KYC information / documents (for an existing customer).
CKYC:

TReDS platform may also follow the CKYC process going forward for KYC verification purpose.

Customer Identification Procedure:

In line with the RBI mandate, the following documents must be obtained from customers and verified.

<table>
<thead>
<tr>
<th>Constitution</th>
<th>Document Type</th>
<th>List of Documents</th>
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| Proprietorship | Identity Proof | 1. PAN
2. Any one of the below documents
   - Registration Certificate from State Govt. or Statutory Body
   - Trade License
   - Registration under Shops & Establishments Act
   - CST/VAT certificate |
| Address Proof | | 1. Electricity Bill
2. Telephone Bill
3. Water Bill
4. Bank Account Statement
5. Property or Municipal Tax Receipt |
| Partnership | Identity Proof | 1. PAN
2. Partnership Deed
3. Any one of the below documents
   - Registration Certificate from State Govt. or Statutory Body
   - Trade License
   - Registration under Shops & Establishments Act
   - CST/VAT certificate
   - PAN
   - Partnership Deed |
| Address Proof | | 1. Electricity Bill
2. Telephone Bill
3. Water Bill
4. Bank Account Statement
5. Property or Municipal Tax Receipt |
| LLP | Identity Proof | 1. Certificate of Incorporation
2. Partnership Deed
3. PAN |
| Address Proof | | 1. Electricity Bill
2. Telephone Bill
3. Water Bill
4. Bank Account Statement
5. Property or Municipal Tax Receipt |
<table>
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<tr>
<th>Type</th>
<th>Identity Proof</th>
<th>Address Proof</th>
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<tr>
<td>HUF</td>
<td>1. PAN&lt;br&gt;<strong>Anyone of the below documents</strong>&lt;br&gt;2. Registration Certificate from State Govt. or Statutory Body&lt;br&gt;3. Trade License&lt;br&gt;4. Registration under Shops &amp; Establishments Act&lt;br&gt;5. CST/VAT certificate</td>
<td><strong>Anyone of the below documents</strong>&lt;br&gt;1. Electricity Bill&lt;br&gt;2. Telephone Bill&lt;br&gt;3. Water Bill&lt;br&gt;4. Bank Account Statement&lt;br&gt;5. Property or Municipal Tax Receipt</td>
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Application Process:

Participants can submit their applications in two ways – online and offline.

In the online facility, applicants will visit the TReDS website and click on the button “Online registration”. They will then enter all necessary details and upload their documents specified on the portal. An Application Reference Number (ARN), which can be used for tracking status of processing application, will be generated on successful completion of online application form on the portal. A notification via online Alert/ E-mail/ SMS will be sent to the Customer on successful generation of ARN.

In the offline facility, Applicant will hand over the duly filled up Application Form along with necessary documents to the RM to initiate onboarding / registration process. Participants can take printout of the Application Form by downloading the same from the website.

Online Process:

Buyer Onboarding/ Registration - Factoring & Reverse Factoring

1. After clicking “Online Registration” Applicant needs to provide following information and submit:
   - Constitution
   - Name of Entity,
   - Entity PAN Number,
   - User Mobile Number
   - User Email Id,
   - One Time Password-OTP (Generated and sent on the Mobile Number provided)

2. The User will then be prompted to create a Guest User ID on the same screen.
3. Once submitted, TReDS portal will send an email to the applicant’s Email ID. This will authenticate correctness of Email ID.
4. The email will contain the User ID and Password of the Guest User.
5. Applicant clicks on link provided in the email to redirect to Log In Screen, fills in the details of User ID and Password as provided in the email.
6. After entering the correct details a Log In OTP will be generated and sent to Guest User’s mobile number.
7. After entering the same Guest User changes the Password and Select Security Questions.
8. After successfully changing the password the User is redirected to Log In Screen and is prompted to Log In using the User ID and Password chosen by the Guest user.
9. The User will be prompted and be provided with an OTP at the time of each Log In.
10. The applicant can see all the sections which are to be completed section by section.
11. The system will show which sections of the form are completed. The form will have provision to fill partly, save and then come back later to complete before submitting. Documents can be uploaded in tranches also.
12. All required details will be entered in the system by the Applicant.
13. On successful validation a checklist screen appears which will display a list of required documents to be uploaded with an option to select the documents to be uploaded from a local directory. All mandatory documents are marked with a star (*).

14. Applicant uploads available documents; marks on the check-box next to corresponding checklist item and clicks next. TReDS portal will give appropriate pop up message on the screen if any mandatory documents are not uploaded.

15. The next screen appears which has an option for Buyer to provide list of recommended Sellers to be approached for onboarding (not a mandatory step).

16. Two options are available for Buyer, either to online fill the details or to upload the list of the sellers
   a) If the Buyer selects online filling, a tabular section with required attributes appear.
   b) If the Buyer selects to upload, a predefined template in excel will be available for download. Buyer fills the details and uploads the template.

17. Applicant then clicks on the submit button. Application Reference Number (ARN gets generated on successful completion of application form on the screen and SMS/Email alert is sent to the applicant confirming successful submission of application.

18. Applicant will download the PDF version of the Master Agreement to be executed between the Buyer and TReDS.

19. The Buyer will take print of the auto filled Application Form, downloaded Master Agreement and other formats and signs the same.

20. Buyer then submits the physical copies with the RM.

21. TReDS will carry out a KYC Verification in line with the KYC requirements.

22. TReDS will raise query through system if there is discrepancy in the documents submitted by applicant.

23. Once the TReDS finds that the documents are in order, it will upload the Application Form and executed Master Agreement along with all other documents on the platform.

24. If the registration form is rejected, an email notification will be sent to the applicant.

25. Once the TReDS Account Number is activated, System will generate two Entity Administrator login ids and passwords for the applicant after approval by TReDS.

26. TReDS will generate Welcome mail and send to the Authorised Signatory of the applicant.

*The Buyer has to ensure the details of the Settlement Bank being provided at the time of onboarding are of the “Working Capital” account.
Seller Onboarding – Factoring and Reverse Factoring

1. After clicking “Online Registration” Applicant needs to provide following information and submit:
   - Constitution
   - Name of Entity,
   - Entity PAN number,
   - User Mobile Number
   - User Email Id,
   - OTP (Generated and sent on the Mobile Number provided)

2. The User then will be prompted to create a Guest User ID on the same screen.
3. Once submitted TReDS portal will send auto generated email to the applicants Email ID. This will authenticate correctness of Email ID.
4. The email will contain the User ID and Password Details of the Guest User.
5. Applicant clicks on link provided in the email to redirect to Log In Screen, fills in the details of User ID and Password as provided in the email.
6. After entering the correct details a Log In OTP will be generated and sent to Guest User’s mobile number.
7. After entering the same Guest User changes the Password and Select Security Questions.
8. After successfully changing the password the User is redirected to Log In Screen and is prompted to Log In using the User ID and Password chosen by the Guest user.
9. The User will be prompted and be provided with an OTP at the time of each Log In.
10. The applicant can see all the sections which are to be completed section by section.
11. The system will show which sections of the form are completed. The form will have provision to fill partly, save and then come back later to complete before submitting. Documents can be uploaded in tranches also.
12. All required details will be entered in the system by the Applicant.
13. On successful validation a checklist screen appears which will display a list of required documents to be uploaded with an option to select the documents to be uploaded from a local directory. All mandatory documents are marked with a star (*).
14. Applicant uploads available documents. TReDS portal will give appropriate pop up message on the screen if any mandatory documents are not uploaded.
15. Applicant then clicks on the submit button. Application Reference Number (ARN) gets generated on successful completion of application form on the screen and a notification via online alert/ e-mail/ SMS is sent to the applicant confirming successful submission of application.
16. Applicant will download the PDF version of the Master Agreement to be executed between the Seller and TReDS.
17. Applicant will take print of the auto filled Application Form, downloaded Master Agreement and other formats and signs the same.
18. Applicant then submits the physical copies of the above mentioned documents with the RM.
19. TReDS will carry out a KYC Verification in line with the KYC requirements.
20. TReDS will raise query through system if there is discrepancy in the documents submitted by applicant.
21. If TReDS finds all documents are in order, it will mark in the system that documents are verified and upload the Application Form, executed Master Agreement along with all other documents in the system.

22. If the registration form is rejected, an email notification will be sent to the applicant along with reasons for the rejection.

23. Once the TReDS Account Number is activated, TReDS will generate two Entity Administrator login ids and passwords for the applicant and send the same to the Entity Administrators by email.

24. TReDS will generate Welcome mail and will send the same to the authorised signatory of the Applicant.

*The Seller has to ensure the details of the Settlement Bank being provided at the time of onboarding are of the “Working Capital” account.*

**Financier Onboarding**

1. After clicking “Online Registration” Applicant needs to provide following information and submit:
   a. Constitution
   b. Name of Entity,
   c. Entity PAN number,
   d. User Mobile Number
   e. User Email Id,
   f. OTP (Generated and sent on the Mobile Number provided)

2. The User then will be prompted to create a Guest User Name on the same screen.

3. Once submitted TReDS portal will send auto generated email to the applicants Email ID. This will authenticate correctness of Email ID.

4. The email will contain the User ID and Password Details of the Guest User.

5. Applicant clicks on link provided in the email to redirect to Log In Screen, fills in the details of User ID and Password as provided in the email.

6. After entering the correct details a Log In OTP will be generated and sent to Guest User’s mobile number.

7. After entering the same Guest User changes the Password and Select Security Questions.

8. After successfully changing the password the User is redirected to Log In Screen and is prompted to Log In using the User ID and Password chosen by the Guest User.

9. The User will be prompted and be provided with an OTP at the time of each Log In. The applicant can see all the sections which are to be completed section by section.

10. The system will show which sections of the form are completed. The form will have provision to fill partly, save and then come back later to complete before submitting. Documents can be uploaded in tranches also.

11. All required details will be entered in the system by the Applicant.
12. On successful validation a checklist screen appears which will display a list of required documents to be uploaded with an option to select the documents to be uploaded from a local directory. All mandatory documents are marked with a star (*).

13. Applicant uploads available documents; marks on the check-box next to corresponding checklist item and clicks next. TReDS portal will give appropriate pop up message on the screen if any mandatory documents are not uploaded.

14. Applicant then clicks on the submit button. Application Reference Number (ARN) gets generated on successful completion of application form on the screen and a notification via online alert/ e-mail/ SMS sent to the applicant confirming successful submission of application.

15. Applicant will download the PDF version of the Master Agreement to be executed between the Financier and TReDS from the system.

16. The Financier will download and take print of the auto filled Application Form and other formats and sign the same.

17. Financier then submits the all above mentioned documents with the RM.

18. TReDS will raise query through system if there is discrepancy in the documents submitted by applicant.

19. TReDS will carry out a KYC Verification in line with the KYC requirements.

20. If TReDS finds all documents in order, it will mark in the system that documents are verified.

21. TReDS will upload the Application Form and executed Master Agreement along with all other documents, if any.

22. If the Application Form is rejected, an email notification will be sent to the applicant.

23. Once TReDS Account number is activated, system will also generate two Entity Administrator login ids and passwords for the applicant and send the same to the Entity Administrators by email.

24. TReDS will generate Welcome mail and send to the Authorised Signatory of the applicant.

**Offline Process:**

**Buyer/ Seller/ Financier**

1. In case of manual application form submission, RM initiates the onboarding request on behalf of the applicant. Applicant fills all details (i.e. applicant registered name, email, PAN, etc.) in the Registration Form.

2. Duly filled Application Form along with copy of necessary documents and executed Master Agreement will be submitted to RM or TReDS office.

3. TReDS will carry out a KYC Verification in line with the KYC requirements.

4. If TReDS finds that all documents are in order, it will mark in the system that documents are verified and the same can be tracked through ARN.

5. TReDS will upload the executed master agreement and registration form along with all other documents in the system.

6. If the registration form is rejected, an email notification will be sent to the applicant.
7. Once the TReDS Account Number is activated, TReDS will generate two Entity Administrator login ids and passwords for the applicant and send the same to the Entity Administrators by email.
8. TReDS will generate Welcome mail and will send the same to the authorised signatory of the Applicant

*The Buyer/ Seller has to ensure the details of the Settlement Bank being provided at the time of onboarding are of the “Working Capital” account.

7. User and Limit Management

TReDS application will have User management tab for Entity Administrator users to create/modify & maintain accounts.

Process Flow for User Management:
1. Entity Administrator Logs in using the credentials shared by TReDS in the Welcome email.
2. Entity Administrator clicks on Administration- User Management.
3. Then the Administrator clicks on Add New User
4. The Administrator inputs the user details and Assigns one of the following rights as per the policies on segregation of duties:
   a. Maker
   b. Checker
   c. Maker & Checker
   d. Viewer
5. The Entity Administrator also has to assign the per transaction limits against each user and save the details.
6. The saved details can be authorized by the second Entity Administrator.
7. Upon authorization, the newly created user will get a notification from TReDS providing details of User ID and Password which can be used for Log In purpose.

TReDS application will also have limit management tab for users to create/modify & maintain limits.

Limits can be set at any point by participants (Buyers, and Financiers). Sellers or Seller’s Bank will not be able to set any limit. There will be two kinds of limit – i) Restrictive Limit and ii) Alert Only Limit.

Process Flow for Limit Management

1. TReDS application will have limits management tab for users to create/ modify/ maintain their limits in TReDS
2. Limits can be of two types:
   - Restriction limits: These limits cannot be breached. User will need to get the limit changed from the limit owner (Entity Administrator), before a transaction takes place. Participants (Buyer/Financier) can setup such limits on themselves or on others.
   - Alert only limits: These can be breached. Users/TReDS will be notified/given a warning when these are getting breached.

3. Limit type may be changed from restriction to alert and vice versa

4. TReDS allows users to set limit “based on” exposure to other participants, as follows-
   - Buyer can set limit for total exposure per Seller
   - Financier can set limit based on total exposure to a Buyer
   - Buyer/Financier can set limit on total aggregated exposure through the TReDS platform
   - Each participant can view limits set by themselves only.

8. Creation of Factoring Unit – Process Flow

Factoring Unit (FU) Creation

The Factoring Unit creation, will have a two-level process at both Buyer and Seller end. Each Buyer and Seller will assign a “Maker” and “Checker” role to the internal users at their own discretion depending upon the Department, delegation of power etc.

“Maker” will create the Factoring unit by entering appropriate information.

“Checker” will check and authorize the Factoring Unit.

Factoring Unit can be created one at a time (single) on TReDS, by entering Invoice details and uploading underlying documents like invoices, or in Bulk (multiple) by entering Invoice details in a pre-defined template and uploading the template and underlying documents. Once a Factoring Unit is created, it moves to the counterparty (Buyer in case of Factoring and Seller in case of Reverse Factoring, if cost of funds is borne by Seller) for acceptance. In case of Reverse Factoring by a Buyer, the acceptance of the Seller is not required unless the cost of funds is borne by the Seller. The buyer has to tick a radio button that he has the consent of the seller for discounting/financing their receivables and consent for assignment of these receivables in favour of the Financer.

There will be three distinct processes for creation of FU detailed as under:

A. Factoring Unit Creation by Seller,
B. Reverse Factoring- Factoring Unit Creation by Buyer (with deemed consent from the seller for discounting/financing and assignment where cost of funds is borne by Buyer)
C. Reverse Factoring – Factoring Unit Creation by Buyer (Seller will accept FU where cost of funds is borne by Seller)
A. Factoring Unit Creation by Seller
   
i) On successful login on the TReDS Login page, the Seller(Maker) Home Page with following sections will appear:
   a) Dashboard
   b) Factoring Unit
   c) Bids Offered
   d) Administration
   e) Reports

   ii) Once the Seller (Maker) clicks the ‘Factoring Unit’ tab from the menu, an option for ‘Add a New Factoring Unit’ appears. On selecting the same, TReDS displays two options

   a) Factoring Unit creation (Single)
   b) Factoring Unit creation (Bulk)

a. Factoring Unit Creation (Bulk)
   1. Upon Clicking “Bulk Upload” button, Seller (Maker) will be able to view a screen where there are option to download a pre-defined templates for Factoring Unit creation using Invoice. Seller(Maker) downloads the template
   2. Seller(Maker) opens the template and fills the details as required for creating the Factoring Unit.
   3. Seller (Maker) can club the information of multiple Invoice in the excel file and upload the same in “Bulk Upload” format. The settlement account for all the clubbed Invoice needs to be the same.
   4. The due date of the Factoring Unit will be calculated from the date of creation of FU.
   5. By default, 100% “Funding Requirement” will appear in the system and Seller (Maker) can change as per their requirement of fund.
   6. By default the ‘cost of funds borne by’ field will have Seller. However it can be modified by Seller (Maker).
   7. Seller (Maker) has an option to choose the Bidding date by clicking on “Proposed Bidding Date”
   8. Seller (Maker) also has an Option to choose “Settlement Details” from the registered Settlement Accounts.
   9. After completion of all the above requirements, Seller (Maker) clicks the submit button to create Factoring Unit
   10. Following validations are performed once the submit button in clicked:
       i. Stale Invoice check
       ii. Max Tenor of FU will not exceed 180 days from date of FU.
       iii. Min Tenor of FU will be 7 days from date of FU.
       iv. Freeze Account Status (TReDS check with the internal database i.e. Account Status table and display the result)
       v. Minimum value of FU to be Rs. 25,000/- (Rs. Twenty Five Thousand only )
       vi. Maximum value of FU to be Rs.1,00,00,000/- (Rs. One Crore Only)
11. If the above validation is not fulfilled then TReDS will display failure messages with reason for each validation. In such cases Factoring Unit is not created. Seller (Maker) can rectify the failure and click on submit button which goes through the validation process again.

12. Following validations are also performed in conjunction with the above validation:
   
i. Invoice Duplication (TReDS will check for any duplication of invoice details)

   ii. Limit Availability of Seller as specified by Buyer from time to time and intimated to TReDS (TReDS will validate the limits and display pop up message in case of limit breach)

13. If the above validation is not fulfilled then one of the following

i. In case of limit with restriction rule TReDS displays failure message with reason for each validation. In such cases Factoring Unit is not created. Seller(Maker) can rectify the failure and click on submit button which goes through the validation process again

ii. In case of limit with alert only rule TReDS displays warning message with reason for each validation and allows Factoring Unit to be created

iii. In any other suspicious cases TReDS displays warning message with reason for each validation and Factoring Unit is kept on hold till the same is cleared by the TReDS.

14. If the above validations are fulfilled then Factoring Unit reference number is created.

15. Seller (Checker) will then validate the details of the Factoring Unit and authorizes the same.

16. If the above validations are fulfilled then Factoring Unit reference number is created and alert is sent to the Buyer and Buyer’s bank (when the exposure is on Buyer’s bank) in their notification page. (also via SMS, Email)

17. Each factoring unit will represent a confirmed obligation of the Buyer and will carry the following relevant details – details of the Seller and the Buyer, FU Acceptance Date, Due date, Tenor (due date – FU Acceptance Date), balance tenor (due date – current date), amount due, unique FU identification number generated by the TReDS, account details of seller for financier’s reference (for credit at the time of financing), account details of buyer for financier’s reference (for debit on the due date), the description of the goods.

B. Reverse Factoring- Factoring Unit Creation by Buyer (Deemed accepted by Seller where cost of funds in borne by Buyer)

i) On successful login on the TReDS Login page, the Buyer Home Page with following sections will appear:
   
   - Dashboard
   - Factoring Unit
   - Bids Offered
   - Administration
   - Reports
ii) Once the Buyer clicks the ‘Factoring Unit’ tab from the menu, An option for ‘Add a New Factoring Unit’ appears. On selecting the same, TReDS displays two options
   o Factoring Unit creation (Single)
   o Factoring Unit creation (Bulk)

a. Factoring Unit creation (Single)

Buyer as per above selections, sees different screens as mentioned below: -

1. Upon entering this section, Buyer has to select the name of the Seller he wants to create the FU for.
2. After Selection of the Seller, the Buyer can click on “Add Invoice” tab.
   Buyer inputs details of Invoice as per requirement in the system.
3. Once the details are captured, Buyer clicks on the upload button to upload the scanned copies of the underlying Invoice.
4. After completing and saving the Invoice information, the customer can add another Invoice by repeating the same process.
5. Buyer (Maker) can choose the number of Invoice for a particular seller with a specific Seller settlement account, which are to be clubbed together in a Factoring Unit.
6. The due date of the Factoring Unit will be calculated from the date of creation of FU.
7. By default, 100% “Funding Requirement” will appear in the system and Buyer can change as per their requirement of fund.
8. By default the ‘cost of funds borne by’ field will have Buyer.
9. Buyer has an option to choose the Bidding date by clicking on “Proposed Bidding Date”
10. Buyer also has an Option to choose “Settlement Details” from the registered Settlement Accounts of the Seller.
11. By Default, Choice highlighted against “Deemed Accepted by Seller” will be “No” which needs to be changed in this case where Seller acceptance is not required.
12. After completion of all the above requirements, Buyer clicks the submit button to create Factoring Unit
13. Basic Invoice Detail Validations are performed once the submit button in clicked.
14. If the above validation is not fulfilled then TReDS will display failure messages with reason for each validation. In such cases Factoring Unit is not created. Buyer can rectify the failure and click on submit button which goes through the validation process again.
15. Following validations are also performed in conjunction with the above validation: -
   i. Invoice Duplication (TReDS will check for any duplication of invoice details)
   ii. Limit Availability of Seller as specified by Buyer from time to time and intimated to TReDS (TReDS will validate the limits and display pop up message in case of limit breach)
16. If the above validation is not fulfilled then one of the following
   i. In case of restriction rule TReDS displays failure message with reason for each validation. In such cases Factoring Unit is not created. Buyer can rectify the failure and click on submit button which goes through the validation process again
   ii. In case of alert only rule TReDS displays warning message with reason for each validation and allows Factoring Unit to be created
17. In any other case TReDS displays warning message with reason for each validation and Factoring Unit is kept on hold till the same is cleared by the TReDS Risk Team. Once Risk team accept, Factoring Unit gets created
18. If the above validations are fulfilled then Factoring Unit reference number is created and alert is sent to the Buyer in their notification page. (also via SMS, Email)
19. Each factoring unit will represent a confirmed obligation of the Buyer and will carry the following relevant details – details of the Seller and the Buyer, FU Acceptance Date, Due date, Tenor (due date – FU Acceptance Date), balance tenor (due date – current date), amount due, unique FU identification number generated by the TReDS, account details of seller for financier’s reference (for credit at the time of financing), account details of buyer for financier’s reference (for debit on the due date), the description of the goods.

b. Factoring Unit Creation (Bulk)

1. Upon Clicking “Bulk Upload” button, Buyer sees a screen where there are option to download a pre-defined template for Factoring Unit creation using Invoice details. Buyer downloads the template
2. Buyer opens the template and fills the details as required for creating the Factoring Units. Provides inputs required in the Bulk Upload Excel Sheet.
3. Buyer (Maker) can choose the number of Invoice for a particular seller with a specific Seller settlement account, which are to be clubbed together in a Factoring Unit.
4. The due date of the Factoring Unit will be calculated from the date of creation of FU.
5. By default, 100% “Funding Requirement” will appear in the system and Buyer can change as per their requirement of fund.
6. By default the ‘cost of funds borne by’ field will have Buyer name selected.
7. Buyer has an option to choose the Bidding date by entering desired date in the “Proposed Bidding Date” column.
8. Buyer also has an Option to choose “Settlement Details” from the registered Settlement Accounts of the Seller.
9. Once the details are captured, Buyer clicks on the upload button.
10. To upload the scanned copies of the underlying Invoice buyer can attach and upload the copies, additionally.
11. After completion of all the above requirements, Buyer clicks the submit button to create Factoring Unit
12. Invoice Detail Validations as specified under are performed once the submit button in clicked.
1. Stale Invoice check
2. Max Tenor can not exceed 180 days from date of FU.
3. Min Tenor will be 7 days from date of FU.
4. Freeze Account Status (TReDS check with the internal database i.e. Account Status table and display the result)
5. Minimum value of an FU is to be Rs. 25,000/- (Rs. Twenty Five Thousand only)
6. Maximum value of an FU is to be Rs. 1,00,00,000/- (Rs. One Crore only)

13. If the above validation is not fulfilled then TReDS will display failure messages with reason for each validation. In such cases Factoring Unit is not created. Buyer can rectify the failure and click on submit button which goes through the validation process again.

14. Following validations are also performed in conjunction with the above validation:
   i. Invoice Duplication (TReDS will check for any duplication of invoice details)
   ii. Limit Availability of Seller as specified by Buyer from time to time and intimated to TReDS (TReDS will validate the limits and display pop up message in case of limit breach)

15. If the above validation is not fulfilled then one of the following options will be available:
   i. In case of limit with restriction rule TReDS displays failure message with reason for each validation. In such cases Factoring Unit is not created. Buyer can rectify the failure and click on submit button which goes through the validation process again
   ii. In case of limit with alert only rule TReDS displays warning message with reason for each validation and allows Factoring Unit to be created
   iii. In any other suspicious cases TReDS displays warning message with reason for each validation and Factoring Unit is kept on hold pending further validations by the TReDS.

16. If the above validations are fulfilled then Factoring Unit reference number is created and alert is sent to the Buyer in their notification page. (also via SMS, Email)

17. Each factoring unit will represent a confirmed obligation of the Buyer and will carry the following relevant details – details of the Seller and the Buyer, FU Acceptance Date, Due date, Tenor (due date – FU Acceptance Date), balance tenor (due date – current date), amount due, unique FU identification number generated by the TReDS, account details of seller for financier’s reference (for credit at the time of financing), account details of buyer for financier’s reference (for debit on the due date), the description of the goods.
Modification of FU (Factoring and Reverse Factoring)

Upon submission by Counterparty (Buyer/ Seller) each participant has a choice to either “Accept” or “Send Back” the Factoring Unit submitted by the other Party for necessary changes / correction .

Case where the creator (Buyer/ Seller) of Factoring Unit has received back the FU from the counter party ( Buyer / Seller ) with a request for modification / changes / cancellation and is agreeable to make the changes/ modifications requested in the FU by the Counter Party to follow the below mentioned steps. Buyer/ Seller (Maker) selects the “Factoring Unit Sent Back” from the drop down within “Factoring Unit” tab on their home screen.

a) The Factoring Units with details are displayed on the screen.
b) The Factoring Units sent back for modification will be marked as “Sent Back by Buyer/Seller”
c) Select the Factoring Unit ID and perform the necessary changes in the Factoring Unit. Factoring Unit creator can modify any of the attributes of the Factoring Unit
d) Click on the Submit button.
e) Automated validation runs for the changed fields, if failure, then message gets displayed with error reason.
f) If a validation is successful, the Factoring Unit ID is updated with the new details
g) Notification will be sent to participants once the unit is modified

Cancellation of FU (Factoring and Reverse Factoring)

Case where Buyer/ Seller wishes to cancel the Factoring Unit (Provided it is not accepted by the counter party)

a) Buyer/ Seller (maker) selects the “Factoring Unit” button on their screen
b) Buyer/ Seller selects the stage of the “Factoring Unit” ( e.g. Awaiting Approval/ Awaiting Acceptance/ Awaiting Authorisation etc.)
c) Select the Factoring Unit ID which needs to be deleted
d) The Factoring Unit details are displayed on the on the Cancel Factoring Unit screen. Only those Factoring Units will be displayed which are marked as “Factoring Unit created”
e) Click on the Cancel button, a confirmation check box appears for consent
f) The Factoring Unit ID is deleted and no longer available in TReDS
g) Notification will be sent to participants once the unit is cancelled.
Factoring Unit (FU) Acceptance

It is a process wherein the Factoring Unit is reviewed, validated and accepted by the counterparty. Buyer accepts the Factoring Unit in case of Factoring. Seller accepts the Factoring Unit in case of Reverse Factoring only where cost of funds is borne by the Seller. Once a Factoring Unit is marked as accepted, it moves into financier bucket for bidding.

FU Acceptance by Buyer (Factoring)

i) In the alert/notification section, all Factoring Units to be accepted are displayed. This notification will come via SMS, Email
ii) The Buyer (maker) selects the Factoring Unit “Awaiting Acceptance” from the dropdown on FU Screen.
iii) The list of all Invoice pending for acceptance by Buyer is displayed.
iv) Buyer (Maker) then performs the following steps for Factoring Unit acceptance:
   a) Buyer (Maker) reviews and validates the Factoring Unit(s) that are intended to be accepted
   b) Against each Factoring Unit, On click Buyer (Maker) can select from the either of the three options (‘Acceptance’, ‘Send Back’, ‘Reject’)
v) Once Buyer (maker) clicks the Acceptance button the details of FU will be displayed on the screen.
vi) In the same screen Buyer (Maker) makes one of the following choices.
   a. Accept - denotes that Factoring Unit is accepted
   b. Send Back - denotes that modification is required in the Factoring Unit. Buyer selects the option next to each of the Factoring Unit attributes and marks which need to be modified. Once a particular attribute is selected, a comment box opens where Buyer inputs the modifications required. Buyer can also modify the due date
   c. Reject - denotes that the Factoring Unit is rejected/ cancelled. Buyer enters the reason for Reject in the comment box
vii) In case of ‘Accept’, the Factoring Unit is marked as accepted and flows into the Buyer (Checker) bucket for ‘Authorisation’
viii) Buyer (Checker) performs the authorization after logging in. The Buyer (Checker) has an option to Authorise multiple FUs in Single Transaction by checking the boxes against FUs to be authorized.
ix) In case of ‘Send Back’, the Factoring Unit flows back to the Seller queue. Upon receipt of alert, from the notification page, Seller checks the Factoring Units marked for changes. Seller opens the Factoring Unit and as per comments and highlighted attribute makes changes in the Factoring Unit. Seller clicks on submit and an automated validation runs for changed attributes (the rules as defined above earlier for Factoring Unit creation)
x) In case of ‘Reject’, alert with reason goes in the notification page of the Seller (also via SMS and Email or at the time of login)
xii) Alert goes in notification page of the Seller (also via SMS, Email) for all the above 3 criteria. i.e. for acceptance / modification / Reject of the Factoring Unit
Reverse Factoring - Deemed accepted by Seller (Where cost of funds is borne by Buyer)

i) In this scenario, the Seller has given the right to initiate and accept the Factoring Units to the Buyer. The Seller will not perform any transaction.

ii) The Factoring Unit will be “Created” by Buyer (Maker) and “Authorised” by Buyer (Checker).

iii) Upon Successful creation and authorization of Factoring Units, the same will move into Financier Queue for Bidding process.

Reverse Factoring - Acceptance by Seller (Where cost of funds is borne by Seller)

i) After Factoring Unit Creation by the Buyer the same will go to the Seller for their acceptance.

ii) The Seller (maker) selects the Factoring Unit “Awaiting Acceptance” from the dropdown on FU Screen.

iii) The list of all Invoice pending for acceptance by Seller is displayed.

iv) Seller (Maker) then performs the following steps for Factoring Unit acceptance:

v) Seller (Maker) reviews and validates the Factoring Unit(s) that are intended to be accepted

vi) Against each Factoring Unit, On click Seller (Maker) can select from the either of the three options (‘Acceptance’, ‘Send Back’, ‘Reject’)

vii) Once Seller (maker) clicks the Acceptance button the details of FU will be displayed on the screen.

viii) In the same screen Seller (Maker) makes one of the following choices.

a. Accept - denotes that Factoring Unit is accepted

b. Send Back - denotes that modification is required in the Factoring Unit. Seller selects the option next to each of the Factoring Unit attributes and marks which need to be modified. Once a particular attribute is selected, a comment box opens where Seller inputs the modifications required. Seller can also modify the due date

c. Reject - denotes that the Factoring Unit is rejected/ cancelled. Seller enters the reason for Reject in the comment box

ix) In case of ‘Accept’, the Factoring Unit is marked as accepted and flows into the Seller (Checker) bucket for ‘Authorisation’

x) Seller (Checker) performs the authorization after logging in. The Seller (Checker) has an option to Authorise multiple FUs in Single Transaction by checking the boxes against FUs to be authorized.

xi) In case of ‘Send Back’, the Factoring Unit flows back to the Buyer queue. Upon receipt of alert, from the notification page, Buyer checks the Factoring Units marked for changes. Buyer opens the Factoring Unit and as per comments and highlighted attribute makes
changes in the Factoring Unit. Buyer clicks on submit and an automated validation runs for changed attributes (the rules as defined above earlier for Factoring Unit creation)
xii) In case of ‘Reject’, alert with reason goes in the notification page of the Buyer (also via SMS and Email or at the time of login)
xiii) Alert goes in notification page of the Seller (also via SMS, Email) for all the above 3 criteria. i.e. for acceptance / modification / Reject of the Factoring Unit
xiv) Upon Successful creation and authorization of Factoring Units, the same will move into Financier Queue for Bidding process.

9. Bidding Process

Bid Initiation:
Bid initiation is a process where multiple financiers quote financing rate against available Factoring Unit with a specific bid validity period, having an option either to delete or modify the bid before acceptance of the bid by Buyer/Seller, as the case may be. Bidding is done during the “bidding window” defined by the TReDS.

Upon Logging in the Financier can choose the “Bid Initiation” tab. The Bid Initiation tab has following three options.

- Bid by bid
- Bulk bid
- Auto bid

In the Bidding section, the TReDS platform provides the flexibility to filter factoring units to various participants based on below parameter:

Buyer’s filtering parameter include Counterparty Name, FU No., Status of FUs, FU Creation (Date Range), FU Due Date (Date Range).

Seller’s filtering parameter include Counterparty Name, FU No., FU Creation (Date Range), FU Due Date (Date Range), Status

Financiers filtering parameter include FU No., FU Amount, Tenor (FU Due Date-FU creation Date), FU Creation (Date Range), FU Due Date (Date Range), Buyer Name, Industry/sector, Status

In the Bidding Section, the financier has an option to see “Buyer Details” before bidding. On clicking “Buyer Details” the Financier is able to see a short profile of the Buyer. The financier has an option to download a detailed Credit report on a particular Buyer for their own assessment purpose after paying an additional fee.
Bid By bid

1. Bid by bid screen is open where various Factoring Units are displayed as per Financier’s (Maker) pre-filter setting. Below mentioned attributes are displayed for each Factoring Unit:
   a) Factoring Unit Number
   b) Buyer Name
   c) FU amount
   d) Financing Requirements (shows how much % of invoice is required for financing)
   e) Residual Tenor in days
   f) Due date
   g) Buyer’s short profile
   h) Lowest Bid (%)

2. Financier (Maker) selects the Factoring Unit to be financed and clicks on Bid button

3. Upon Clicking Bid Button the financier is able to view the details of the selected Factoring Unit.

4. Below the FU Details on the same screen the financier (Maker) is able to see the details of Top 5 Bids against same FU.

5. The Financier (Maker) has to input the following information:
   a. Bid (ROI Percentage)
   b. Financing Percentage
   c. Financing Amount (Auto-calculated)
   d. Bid Validity Period

6. After entering above information Financier (Maker) saves the Bid information by clicking “Save” Button.

Bulk bid

1. Financier (Maker) goes to the home page, selects the bid initiation and clicks on “Bulk Bid” option

2. Under bulk bid there need to be two options
   a) Online
   b) Bulk Upload

3. Online:
   Here multiple bids are made by Financier (Maker) on the TReDS platform directly by placing inputs in the desired Factoring Units, i.e. by putting cost of funds and margin. The process for Bulk Online bidding is same as Bid By Bid option. The only difference being here that the Financier (Maker) makes and submits bids for multiple Factoring Units at the same time instead of individual bids mentioned in earlier section i.e. Bid by Bid

4. Bulk Upload:
   a) Once the Financier (Maker) selects the Bulk Upload option, bulk bid screen opens where “download worksheet” option is present. This pre-defined
worksheet template has details of all the Factoring Units as per financier’s filter criteria

b) Financier (Maker) opens the template, reviews the details of Factoring Units, uses internal algorithms to decide cost of funds to be quoted and fills the below attributes:
   i. cost of funds
   ii. Margin percent: the file will have 0% finance prefilled. Financer will put % of the FU value of the margin to be kept.

Above inputs are made in the file, and saved

5. Financier (Maker) clicks on the upload button on the “Bulk bid” screen and uploads the updated template. System pops-up message confirming successful upload or failure with reasons (if any)
6. To view failed records Financier can go to relevant section to understand reason for failure

In case of successful upload:

1. TReDS populates the data in respective fields only for those Factoring Units which are updated in the template for bidding
2. Financier validates the information before submitting.
3. Financier then clicks on submit button to quote the bid.
4. Incase Financier wants to view the bid rankings, they can go to the bidding page and selects the “View Top Bidders” tab. The Financiers can view only the bids quoted by the other Financiers and not the names of the Financiers.
5. A page opens up which displays top 5 bids as per ranking on the Factoring Units
6. Financier can select each Factoring Unit to further see what other Financiers have quoted. However, name of other Financiers will not be displayed.
7. In case Financier wishes to modify the Factoring Unit, the Financier selects the “Modify button”.
8. “Bulk bid” screen will open which displays all the uploaded Factoring Units (Unaccepted bids)
9. Financier selects the bid that needs to be modified and makes necessary modifications and again click on submit button
10. The cost of funds will be validated against MCLR rate set by Financier for different tenors
11. Upon Submission of the Bid by Financier (Maker) the same moves to queue of the financier (Checker).
12. The financier Checker clicks on the Bid to be “Authorized”.
13. Upon clicking the details of the FU against which the Bid is made along with the details of the Bid are displayed.
14. The financier (Checker) then clicks Authorise.
15. Upon Authorisation the Bid moves to the Seller/ Buyer queue for acceptance.
16. Alert goes to the Seller/ Buyer and is available in notification page.
17. Once the Bid is accepted by the Seller / Buyer the same is irrevocable and irreversible.

**In case of upload fails:**
1. System sends a pop-up message on the Bulk bid screen confirming number of rows that failed to upload during upload.
2. Financier (Maker) opens the template and does necessary rectification and saves the template.
3. Uploads the rectified template on the “Bulk bid” screen again

**Auto bid:**

**Set up:**

1. Financier sets up MCLR using option provided in the set-up screen.
2. Financier sets up MCLR by providing following inputs:
   - Tenor
   - ROI
   - Effective Date
3. After Setting up MCLR, Financier goes into Buyer Configuration section.
4. Financier can choose the Autobid percentage for a specific Buyer with reference to the MCLR set.

**Transaction:**

1. Financier goes to the home page and selects the bid initiation tab under which auto bid tab is available
2. An auto bid page is displayed which shows all the Factoring Units for which the financing rates are auto populated against the Factoring Units as per pre-defined set up for the specific Buyer.
3. Financier (Maker) can manually change a bid i.e. change financing rate and validity period
4. Financier (Maker) then clicks the submit button
5. Upon Submission of the Bid by Financier (Maker) the same moves to queue of the financier (Checker).
6. The financier Checker clicks on the Bid to be “Authorized”.
7. Upon clicking the details of the FU against which the Bid is made along with the details of the Bid are displayed.
8. The financier (Checker) then clicks Authorise.
9. Upon Authorisation the Bid moves to the Seller/ Buyer queue for acceptance.
10. Alert goes to the Seller/ Buyer and will be available in notification page
11. Incase Financier wants to view the bid rankings, may go to the bidding page and select the “Top Bids” tab
12. A page opens which displays all the bid rankings of Factoring Units for which it is auto bid and rank for those Factoring Unit bids
13. In case Financier wishes to modify the Bids which are yet to be accepted by Buyer/ Seller, financier goes to home page where list of all bids submitted and pending acceptance is displayed.
14. Financier selects the bid which needs to be modified (Only those pending for acceptance by Buyer/ Seller) and make necessary modifications and again clicks on submit button
15. In case Financier wishes to cancel the Factoring Unit, goes to home page where list of all bids submitted is displayed.
16. Financier selects the bid which needs to be cancelled and clicks delete button.
17. Alert sent to Seller/ Buyer and is available in the notification page

Bid Acceptance

Bid acceptance is a process where Buyer / Seller can accept the bid of one of the financiers on financing rate against their Factoring Unit.

Bid Acceptance will be carried out as detailed below.
1. Seller/Buyer, who is bearing the cost of funds, receives alert in notification page regarding the bid initiation.
2. Buyer/ Seller clicks on the Bids Offered tab,
3. Upon clicking the Bids Offered Tab the Buyer/ Seller is able to see all the FUs against which the Bids are offered by the financiers and are pending for acceptance.
4. The Buyer/ Seller then clicks on “View Bids” tab against each FU to view the details of the Bids offered.
5. After clicking “View Bids” the FU details and all the bids offered against the FU are shown by ranking the bids (lowest bid to highest bid)
6. The Buyer/ Seller will be able to see a detailed breakup of Financing cost, TReDS Charges and net amount getting paid to the seller after deducting all the charges.
7. Buyer/ Seller may wait for additional bids to be made by other Financier till the time bid validity period is not expired or may decide to accept any bid already available on the FUs.
8. After making a decision on which Bid to be selected the Buyer/ seller (Maker) clicks Accept button.
9. The same then moves to Buyer/ Seller (checker) queue where the checker needs to authorize the Bid.
10. In case of cost of funds is borne by Seller, the Seller (Checker) has to accept the “Terms & Conditions” accepting assignment of receivables to the financier before authorizing the Bids, by checking the box “ I accept the Terms & Conditions”.
11. Once the box is check marked, the Seller (Checker) can authorize the bids, which then move for fund Settlement processing.
12. Upon acceptance of the Bid by Buyer/ Seller, there will be no option for financiers to revise their bids quoted online.
13. The Bid will be financed by the Financier for the balance tenure of the Factoring Unit.
14. Bids remain open in TReDS for a maximum period of two days (i.e. from the day when the FU goes in the queue for bidding till 9.00 PM the next working day). If any Bid is not accepted by concerned Seller / Buyer during this period, the Factoring Unit will be treated as Unfinanced.
15. In the event that a factoring unit remains unfinanced, the buyer will pay the MSME seller outside of the TReDS.

10. **Settlement Process**

1. Once a bid is accepted, the Factoring Unit will get tagged as “Due for Settlement”.
2. The obligation report for all accepted Bids will be sent to the respective Financier at the end of day.
3. The funds settlement for transactions financed on the TReDS platform will be carried out by the platform.
4. The platform will generate a settlement file at the end of the day and shall submit the same for processing to NPCI on the same day through the sponsor bank using Host to Host integration with NPCI.
5. The platform will use the NACH TReDS settlement process implemented by NPCI. The NACH debit mandate is executed by the participants during on boarding process on TReDS.
6. The platform will maintain a pooling account with its sponsor bank. All the transactions carried out using the NACH mandate shall be routed through this pooling account with final settlement going into the beneficiary account in case of successful settlement transactions.
7. The present session timings for NACH settlement for TReDS, as notified by NPCI, are as follows:

<table>
<thead>
<tr>
<th>S.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>

8. The settlement of funds towards disbursements for bids accepted on day ‘T’ before 4:30 pm shall be done on the next working day i.e. ‘T+1’. The settlement of funds towards disbursements for bids accepted on day ‘T’ after 4:31 pm shall be done on the second next working day i.e. ‘T+2’ day. The Financier’s account will be debited with net amount.
of Financed Amount minus Cost of funds plus TReDS Charges. The MSME Seller’s account will be credited with net amount of Financed Amount minus Cost of funds minus TReDS Charges. If the cost of funds is borne by the Buyer, it will be debited to the Buyer’s account instead of the Seller’s account. The TReDS charges will be applicable for the Financier as well as to the party (Buyer/ Seller) bearing the cost of funds for the corresponding transaction.

9. Upon Successful Settlement to the Seller account, a notice of Assignment of Receivables would be sent to Buyer, Buyer’s bank as well as Financier, Seller and Seller’s bank in all the scenarios (1. Factoring where cost of funds is borne by Buyer/ Seller; 2. Reverse Factoring where cost of funds is borne by Buyer/ Seller)

10. If the funds are not available in the account of the Financier, NPCI will reverse the entire transaction. Similarly, if the funds could not be credited to the seller due to any reason (e.g. Account frozen by the bank), or if the funds are not available in the account of the Buyer (in case he is bearing the cost), NPCI will reverse the entire transaction. In such cases, the transaction is treated as unfinanced.

11. The settlement of funds towards repayment would be done on the due date ‘T’.

12. The TReDS will send due notifications to the Buyers and their banks advising them of payments due for 2 days prior to the date of repayment (i.e. T-1 and T-2 day)

13. On Due date, the Buyer’s account will be debited with the Financed Amount and Financier’s account will be credited with the Financed Amount. If the funds are not available in the Buyer’s account, the transaction will be reversed by the NPCI and the FU will be marked as ‘Failed for repayment’.

14. The settlement will be tried by the TReDS platform on ‘T+1’ and ‘T+2’ along with overdue interest for the delayed period at the applicable rate. If the transaction remains unsettled after ‘T+2’, the same shall be settled outside the platform directly between the Buyer and the Financier. In case the financed amount is settled outside the platform, the Financier is expected to update such details on the TReDS platform for better governance. Till such time, it will be treated as a failed repayment by the Buyer.

15. Applicable overdue interest rate of 2% over and above applicable cost of funds is set globally by TReDS. Financier can set a lower overdue interest rate, if so desired, in the buyer setup. The minimum of TReDS overdue rate and Buyer level overdue rate will be considered for calculating overdue interest for the period of delay.

16. In exceptional cases, if the funds are not credited to the beneficiary account during NACH sessions, NEFT/RTGS payment channels will be tried on best effort bases to settle the funds.

17. TReDS platform may also recover other charges, if any, due from the participants separately through NACH settlement process.

18. The NACH sessions and their timings are subject to NPCI guidelines.

19. Disputes on settlements, if any, would be handled as per the Dispute Management System of NPCI.

20. In case of technical issues beyond the control of TReDS exchange, if the transactions are not settled on a given day, they will be settled on the next working day.
21. In the above cases, no additional interest will be calculated. Only original amounts will be settled.

Holiday

1. Settlement process will follow holiday calendar as per the NI Act for the state of Maharashtra. All Saturdays and Sundays would also be holidays. In case of adhoc holidays declared, the settlement of the existing transactions falling due on such holidays would be done on the previous working day.

2. In exceptional cases, if there is no time window to settle on the previous working day, such transactions will be settled on the next working day.

11. CERSAI Registration Process

1. Upon successful settlement of the Factoring Unit, TReDS shall share the Notice of Assignment on behalf of the Seller to the Buyer, Buyer’s bank (when the exposure is on Buyer’s bank) with a copy to Financier and Seller’s Bank.

2. The Notice of assignment will contain the relevant information of all the underlying Invoice.

3. Additionally TReDS will support the Financier with various reports detailing the information related to the FUs.

4. Upon receipt of the Notice of Assignment, Financier may initiate the process for registration with CERSAI as required by Factoring Regulation Act.

5. The responsibility for registration of invoices financed on TReDS platform shall be with the Financier.

6. The Financiers may follow their current process for CERSAI charge registration as well as charge removal as may be applicable to them.

7. Going forward, upon receipt of necessary approvals from CERSAI, TReDS will facilitate the registration process for the financier on behalf of the Financiers.

12. Failed Repayment Management

In case where NACH is unsuccessful in pulling funds from Buyer, on due date ‘T’, ‘T+1’ and ‘T+2’ (Unsuccessful Debit) following reasons will be available for marking the Failed repayment.

- Insufficient funds
- Account details are incorrect
- Account is dormant or marked as No Debit / Blocked
- NPCI system failure
- TReDS system failure
- Sponsor Bank system failure
- Any other reason

1. Factoring Units will be marked as “Failed for repayment” in TReDS for unsuccessful Debit by NACH
2. Intimation will be sent to Buyer and Financier through Email generated from system.
3. The financier may initiate the recovery process as facilitated in the Master Agreements directly with the Buyer, outside of platform.
4. In case of non-realization of the funds on the due date, TReDS will represent the NACH debit instruction for next two days.
5. Financier will inform TReDS once the Defaulted Factoring Units are duly settled.
6. TReDS will update the status of Defaulted Factoring Units in the system

*Grace period as defined within the system is two (2) days, during which the platform will present the NACH mandate to recover the dues. The Overdue interest is the interest applicable over and above the normal cost of funds is mentioned in the successful bid. During the Grace period, the NACH mandate will be presented with addition of overdue charges, as defined above.

13. Early settlement

On TReDS Home page, Buyer can click the tab of “Early Settlement”

1. On TReDS Home page, Buyer clicks the tab of “Early Settlement
2. TReDS display the entire FU pending for settlement
3. Buyer selects the FU from the list displayed, go to the early settlement row and select the date (Pop up calendar is displayed)
   - In case the selected date is holiday then pop up message is displayed, to select a working day
   - TReDS compare the early settlement date with the actual due date of the FU. In case the early settlement date is more than [5] days prior from the due date then system will allow the Buyer to proceed else it will display message – too close to original due date and hence pre-payment not possible
   - TReDS automatically calculates the residual interest and the amount to be settled with relevant participants. There will be no refund of transaction charges collected at the time of discounting/financing.
4. Buyer clicks the check box available near the date field which opens a comment box. Buyer inputs additional details if required
5. Buyer clicks the checkbox of the disclaimer confirming responsibility of the change in due date in FU. This is Mandatory field without which Buyer will not be allowed to proceed
6. Buyer clicks the Submit button
7. The early settlement notification goes to the Financier queue
8. Financier accepts or rejects the early settlement. If rejected, notification goes to buyer and event is cancelled in the system. The Financier can also enter fees for pre-payment, if any.
9. Only in case the Financier specifies any pre-payment fee, the request will go back for Buyer Acceptance.
10. Once the terms of pre-payment are agreed between the Buyer and the Financier (online) TReDS considers the early settlement date instead of due date specified at the time of FU creation for the settlement process (i.e. for generating debit files on settlement day). TReDS overrides the initial due date i.e. the due date column will be grey out/freeze.
11. In case of early settlement cost of funds for the unexpired period will flow back to the Buyer irrespective of whether the cost of funds is borne by the Buyer or seller and the Financiers Settlement account will be debited for such amount.
12. In case of early settlement, charges recovered by TReDS will not be refunded under any circumstance either to the Buyer or the Seller.

14. Servicing & Grievances

TReDS application will have Servicing & Grievance unit which caters to:

- Customer complaints / Grievances
- Issues and service requests
- Queries
- Feedbacks

Customer complaints, grievances, issues, queries or feedbacks will be of following categories:

- Onboarding related
- Transactions related
- Process related
- Charges related
- Settlement related
- Access related
- MIS and Notifications related
- Technical
- Status of raised issues
- Other issues

There will be following channels to handle Customer Services and Grievances:

A) Call Centre
B) Email
C) Letter
15. **Customer Care**

**Call Centre**

1. Customer calls the call center and raises query or complaint.
2. Customer care executive access TReDS servicing module and input customer information to check if customer is genuine
3. If the query forwarded by Customer care executive is not reverted within the stipulated TAT then TReDS will send escalation notification to the next levels as per defined matrix till resolution.

**Email**

1. Customer will send his query/complaint via email on generic mail ID published on TReDS home page.
2. If the query forwarded by Customer care executive is not reverted within the stipulated TAT then TReDS will send escalation notification to the next levels as per defined matrix till resolution.

**Letter**

1. Customer will send his query/complaint vide Letter.
2. The letter will be entered in the Inward Register.
3. Customer Care Executive reads the query and inputs the query in TReDS Servicing Module.
4. If customer reverts on the feedback form link then that should get save for future reference for TReDS improvements.
5. If the query forwarded by Customer care executive is not reverted within the stipulated TAT then TReDS should send escalation notification to the next levels as per defined matrix till resolution.

16. **Account Closure & Record keeping**

Upon receipt of ‘Account Closure Form’ TReDS will close account of the participant after recovery of all dues.

Applicant may submit their Account Closure request in two ways – online and offline.

**Online Account Closure Application**

i) Account Closure request will be initiated by the applicant by writing to A.TREDS Limited.

ii) TReDS will only act on the Closure request when no FUs are outstanding on the TReDS platform and other liability / charges are settled.

iii) Notification/Auto mailer will be sent to the participant on closure of account.
**Offline Account Closure Application**

1. TReDS will only act on the Closure request when no FUs are outstanding on the TReDS platform and other liability / charges are settled.
2. Notification/Auto mailer will be sent to the participant on closure of account.

**Record Keeping**

As per Companies Act, the documents are required to be stored for a minimum period of eight years. But for compliance of certain IT Act provisions, the documents are required to be kept for a period of 10 years.

Accordingly, A.TREDS LIMITED will retain the documents for a minimum period of 10 years. Further, we clarify that the period of 10 years is from date of closure of TREDS account and termination of relationship with A.TREDS LIMITED.

Further, in cases where any court case / enquiry from statutory authorities and/or Regulator is ongoing, the documents pertaining to the said matter are required to be stored till the court case is finally disposed off.

**17. Charges**

The Schedule of Charges for the platform is as given below:

<table>
<thead>
<tr>
<th>Charges</th>
<th>Buyer</th>
<th>Seller</th>
<th>Financier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding Charges</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Annual Renewal Fees</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Transaction Charges</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Value Added Service**</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Other Charges( Audit/Legal)</td>
<td>As Actual</td>
<td>As Actual</td>
<td>As Actual</td>
</tr>
</tbody>
</table>

*Only in case cost of funds is borne by Seller ** On Availing the Services

The charge structure may change at the sole discretion of A.TREDS Limited. The same shall be updated on our website www.invoicemart.com, accordingly.

**18. Operational Timings**

**Operational Timings**

1. **Factoring Unit Creation & Acceptance**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Start Time</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>End Time</td>
<td>9:00 P.M.</td>
</tr>
</tbody>
</table>
The Buyer shall be allowed a time of upto 38 days from date of invoice acceptance/ deemed acceptance to accept the Factoring Unit on TReDS platform.

2. **Bidding by Financiers**

<table>
<thead>
<tr>
<th>Start Time</th>
<th>9:00 A.M.</th>
</tr>
</thead>
<tbody>
<tr>
<td>End Time</td>
<td>9:00 P.M.</td>
</tr>
</tbody>
</table>

3. **Bid Acceptance:**

| First Confirmation Window | 9:00 A.M. to 4:30 PM | For T+1 Settlement |
| Second Confirmation Window | 4:31 P.M. to 9:00 PM | For T+2 Settlement |

4. **Settlement Cycle:**

   a. All bids accepted until 4:30 P.M. shall be included in Leg-1 Obligation and shall be settled on T+1.
   
   b. Any bid accepted after 4:31 P.M. shall be settled as part of next day's cut-off i.e. T+2 Settlement Cycle.