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**RBI plans to bring all NBFCs under TreDS platform.**

## RBI plans to bring all NBFCs under TreDS platform

The Reserve Bank of India is planning to incorporate all the NBFCs on the Trade Receivables Discounting System platform. TreDS helps facilitate the discounting of invoices of MSMEs from corporate buyers through multiple financiers. It addresses MSMEs' critical problems, such as the twin issues of promptly en-cashing receivables and eliminating credit risk.

Anil Kumar Sharma, executive director, RBI, stated that all NBFCs would be allowed on the TreDS platform. The platform can access GST, and other links are available, with all information required by the financial entities.

RBI had launched the TreDS. In this, MSME is the corporate buyer and Financer is the bank present. The 2018 directions of RBI had made it mandatory for the corporates with turnover of over ₹500 to be on TreDS platform, this compliance has been slow but it is being worked upon. Mr. Sharma said that adopting new technology is the way forward and it is the only thing that would benefit MSMEs and banks in terms of increasing credit.

"For example, capturing cash flows, payment history, which can be done by linking to the credit network to GSTN and income tax networks. If they can get these linkages they can capture the credit history and record of the MSMEs and would be in apposition to assess their creditworthiness." Further, he said there is a lot of scope for banks to tie up with fintechs. By using P2P network they can link with account aggregators and collaborate with fintech groups.

He said that there had been strict recovery actions against P2P lending platforms recently, but these platforms have been indulging in unfair practices. They must adhere to the rules stipulated by the Reserve bank of India. They can carry out lending activities with banks and NBFCs, and if the P2P is found violating any platform, the concerned bank/ NBFC shall be held responsible.

He continued, account aggregators, shall be held responsible for customer's information of any financial entity. This shall facilitate the credit sourcing, and the institutions shall receive the information of the customer only when the person consents to it.

Banks NBFCs that team up with fintech can also set up their digital business units. He said "MSME lending is the third cohort in the regulatory sandbox. This shall all lead to process efficiency and include thus far excluded segments in credit reach.



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