

You are here: [Home](#) > [MSME](#)

08/02/2023 10:56am

## RBI proposes to develop secondary market in TReDS



RBI proposes to develop secondary market in TReDS

**Mumbai, Feb 8 (KNN)** The Reserve Bank of India (RBI) on Wednesday said that it plans to expand the scope of the Trade Receivables Discounting System or TReDS framework which involves permitting the rediscounting of invoices that is, developing a secondary market in TReDS.

TReDS was launched to enable medium-sized, small, and micro-sized businesses to get access to invoice discounting.



The proposal also includes measures such as providing insurance facilities for invoice financing and permitting all entities/institutions undertaking factoring business to participate as financiers in TReDS.

"These measures are expected to improve the cash flows of the MSMEs," Shaktikanta Das, RBI Governor said in his speech.

The RBI's move to raise policy repo rate by 25 basis points in today's monetary policy meeting is the lowest rate hike since May 2022 when the central bank started hiking policy rate.

The past five rate hikes since May 2022 have been either 50 basis point hike or 40 basis points hike.

The decline in the pace of rate hike this time is on expected lines due to falling retail inflation.

Commenting on the three significant decisions to develop the online discounting platform for trade receivables of MSMEs, Vijay Kalantri, Chairman, MVIRDC World Trade Center Mumbai said, "We feel this move will increase the attractiveness of TReDS as financial institutions will be able to encash the discounted invoices at any time in the secondary market."

Further, we are of the opinion that the central bank's move to allow insurance companies to participate in the market will facilitate discounting of invoices of low-rated corporates on the TReDS platform, he added. **(KNN Bureau)**