

The Factoring Regulation (Amendment) Act, 2021 (Applicable w.e.f. 23.08.2021)

Earlier, NBFCs were restricted from undertaking factoring transactions unless it was a principal business activity and registration was granted by RBI under the Act.

This hurdle has been eased by excluding credit facilities extended by NBFCs against security of receivables from the purview 'factoring business'.

NBFCs can now extend credit facilities and conduct factoring business against security of receivables without complying with the requirement of principal business criteria or registration under the Act.

This is a welcome step, to promote factoring activities by NBFCs along with banks.

The amendments are consistent with the Bill as earlier introduced in Lok Sabha in September 2020.

Our detailed analysis may be read [here](#).

The amendments can be read [here](#).



Credit facilities provided by NBFCs in its ordinary course of business against security of receivables excluded from the purview of the term 'factoring business'



Transfer of undivided interest in receivables, whether in whole or in part, will be regarded as assignment.

Definition altered to include transfer of undivided interest in the receivables as assignment irrespective of whether the whole interest is transferred or in part.



The definition of 'Receivables' has been made more general so as to include a wider scope. The earlier definition was more specific and narrow



"Trade Receivables Discounting System" TReDS has been defined as a payment system. Earlier, they were not defined in the Act

Registration/filing of particulars of assignments of receivables

To be registered with Central Registry (CERSAI) within prescribed time [Sec 19 (1)]

If financed through a TReDS, to be filed by TReDS on behalf of the Factor [Sec 19 (1A)]

Key Takeaways

Factoring by NBFCs without registration ?

Credit Facilities against receivables sans Principal Business ?

TReDS as a payment System?