All Scheduled Commercial Banks (excluding RRBs)

Dear Sir/Madam

Provision of Factoring Services by Banks - Review

Please refer to our circular DBR.No.FSD.BC.32/24.01.007/2015-16 dated July 30, 2015 on Provision of Factoring Services by banks- Review.

2. In paragraph 4(a), it has been mentioned that in order to ensure that the bank offering factoring services has enough margin to cover any deficiencies in the payment of the related invoice, it should be ensured that the pre-payment amount offered by banks for the receivables acquired under factoring should not exceed 80% of the invoice value.

3. On a review, it is advised that banks offering factoring services may decide percentage of the invoice to be paid upfront based on their own assessment of the credit worthiness of the assignor/buyer, due diligence carried out by them and other commercial considerations.

Yours faithfully

(Lily Vadera)
Chief General Manager