



RBI/2015-16/247

DBR.BP.BC.No.55/21.04.172/2015-16

November 26, 2015

All Scheduled Commercial Banks
(Excluding RRBs)

Madam/Dear Sir,

Bank Finance to Factoring Companies

Please refer to our [circular DBOD.BP.BC.No.40/21.04.172/2012-13 dated September 11, 2012](#) on "Bank Finance to Factoring Companies", in terms of which banks were advised that they can extend financial assistance to support the factoring business of Factoring Companies complying with certain criteria, which, inter-alia, included:

- (i) They derive at least 75 per cent of their income from factoring activity.
- (ii) The receivables purchased / financed, irrespective of whether on 'with recourse' or 'without recourse' basis, form at least 75 per cent of the assets of the Factoring Company.

2. Subsequently, in terms of [circular DNBR \(PD\) CC.No.003/22.10.91/2014-15 on 'Review of the Non-Banking Financial Company – Factors \(Reserve Bank\) Directions, 2012' dated November 10, 2014](#), it has been decided that an NBFC for registering as NBFC-Factor shall ensure that its financial assets in the factoring business constitute at least 50 per cent of its total assets and its income derived from factoring business is not less than 50 per cent of its gross income.

3. Accordingly, the criteria regarding asset and income of factoring companies eligible for bank finance as mentioned in para 1 (i) and (ii) above have been revised to 50% from 75%. All other terms and conditions of the circular dated September 11, 2012 remain unchanged.

Yours faithfully,

(Sudarshan Sen)
Principal Chief General Manager