

**REGULATORY UPDATE**

**RBI Amendments  
Directions, 2026- Scale  
based regulatory  
framework**



**RESERVE BANK OF INDIA (NON-BANKING FINANCIAL  
COMPANIES – REGISTRATION, EXEMPTIONS AND  
FRAMEWORK FOR SCALE BASED REGULATION)  
AMENDMENT DIRECTIONS, 2026**

**BACKGROUND**

On April 29, 2026, the Reserve Bank of India introduced significant amendments to the NBFC registration and exemption framework. The Amendment Directions primarily intend to provide regulatory relief to NBFCs that do not raise public funds and do not interact directly with customers, recognizing the comparatively low level of systemic and consumer risk associated with such entities.

The revised framework formally classifies NBFCs into **Type I and Type II**, and more importantly, introduces a new category — **“Unregistered Type I NBFC”** — for entities operating **without access to public funds and without any customer interface**, subject to prescribed conditions.

This regulatory change brings much-needed relief to companies engaged purely in investment or intra-group investment activities, which do not interact with retail customers or rely on public funds.

Prior to this amendment, even such low-risk NBFCs were required to obtain a Certificate of Registration (CoR) and

comply with various regulatory requirements under the RBI framework. This often resulted in a disproportionate compliance burden, particularly for smaller entities with negligent risk exposure.

The amendment, therefore, reflects RBI's intent to rationalize regulatory oversight, reduce unnecessary compliance for the entities that neither accept public funds nor have any customer interface.

### **EFFECTIVE DATE**

These Amendment Directions shall come into force from 01st July, 2026.

### **AMENDED REVISED REGULATORY FRAMEWORK**

- 1. Type I NBFC**- An NBFC that does not avail of public funds and has no customer interface, with an asset size of ₹1,000 Crore or more would require registration with the Reserve Bank of India as "Type I NBFC".
- 2. Type II NBFC**: An NBFC that avails public funds and/or has customer interface would require registration with the Reserve Bank of India as "Type II NBFC".

- 3. Unregistered Type I NBFC:** An NBFC that neither avails public funds nor has any customer interface, and has an asset size of less than ₹1,000 crore, has been exempted from the applicability of Sections 45-IA and 45-IC of the RBI Act, 1934, and accordingly is not required to obtain a Certificate of Registration from the Reserve Bank of India.
- 4. Public Funds:** - Public Funds includes funds raised either directly or indirectly through public deposits, inter-corporate deposits, bank finance and all funds received from outside sources such as funds raised by issue of Commercial Papers, debentures etc. but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding five years from the date of issue.

Also, a clarification has been added to the term “public funds” stating “Indirect receipt of public funds means funds received not directly but through associates and Group entities which have access to public funds.

Further as per the FAQs issued along with the Amendment Directions, any funds received from outside sources and which constitute outside liability are treated as public funds for ‘Type I NBFCs’. As such, loans from directors and/ or shareholders will be classified as public funds. Further, money availed through margin trading facility shall also be classified as public funds.

**5. Customer Interface:** - Customer Interface means interaction between the NBFC and its customers while carrying on its business. Customer interface can be through an account-based relationship, lending relationship or interaction with the customers as part of business of the NBFC.

Any customer-oriented activity like lending or providing guarantee, or placing inter-corporate deposits, including to 'entities in the Group', its shareholders, its directors, or providing any other product or service to these entities would constitute 'customer interface'. However, loans to employees as per terms of employment condition/ contract and not on commercial terms, shall not be treated as customer interface.

**THE DEREGISTRATION WINDOW: A SIX-MONTH OPPORTUNITY FOR CLASSIFICATION AS UNREGISTERED TYPE I NBFC**

Existing NBFC's not availing public funds and not having any customer interface, but holding Certificate of Registration as 'Type I NBFC', and having an asset size of less than ₹1,000 crore, may apply to the Reserve Bank for deregistration, within a period of six months, i.e., by 31<sup>st</sup> December, 2026, through the **PRAVAAH portal**.

## **CORE EXEMPTION FRAMEWORK**

To qualify as an Unregistered Type I NBFC, the following **cumulative conditions** must be satisfied:

1. It operates without public funds and without customer interface as its conscious and long-term business model.
2. Its asset size is below ₹1,000 crore as per the latest audited balance sheet.
3. It passes an annual Board Resolution at the start of each financial year confirming it will not access public funds or have customer interface during the year.
4. It discloses its status as an "Unregistered Type I NBFC" along with public-fund and customer-interface status in the Notes to Accounts of its financial statements.

## **DOCUMENTS REQUIRED FOR FILING OF APPLICATION OF DEREGISTRATION**

1. Original Certificate of Registration (physical submission to RBI).
2. Audited financials for the last three financial years.

3. Statement on public funds and customer interface status for the last three years.
4. Statutory Auditor's Certificate confirming no public funds and no customer interface as on date.
5. Board Resolution: confirming current status; committing to register as Type II if public funds/customer interface are intended; committing to register as Type I if assets reach ₹1,000 crore or above.
6. Board Undertaking to disclose Unregistered Type I status in Notes to Accounts.

### **CRITICAL POSITION – NOT AN AUTOMATIC EXIT**

1. The transition to “Unregistered Type I NBFC” is not automatic; eligible entities must apply to the RBI for deregistration.
2. The application must be supported by audited financial statements for the last three financial years.
3. These financials should demonstrate no direct or indirect access to public funds, including borrowings from directors, shareholders, or group entities.

4. The entity should also not have undertaken any lending or financing activities, whether within the group or externally.
5. The RBI will grant exemption only after being satisfied with the entity's business model and adherence to the prescribed criteria.

### **IMPORTANT REGULATORY CLARIFICATIONS**

- **Entities undertake overseas investment in the financial services sector**

If an 'Unregistered Type I NBFC' intends to undertake overseas investment in the financial services sector, it shall be required to be registered with the Reserve Bank and be regulated like an NBFC holding Certificate of Registration as 'Type I NBFC'

- **Group Aggregation:**

In case of multiple 'Unregistered Type I NBFCs' in the Group, the asset size of all such 'Unregistered Type I NBFCs' shall be aggregated. If the aggregate asset size is ₹1,000 crore or above, all 'Unregistered Type I NBFCs' in the Group are required to be registered as 'Type I NBFC' and shall be subject to applicable instructions issued by the Reserve Bank of India.

- **Continued Supervision from RBI:**

Exemption is from registration requirement (45IA) and requirement to transfer profits to reserve funds (45IC); however, they would continue to be subject to the provisions of Chapter IIIB of the RBI Act, 1934.

Further, the RBI has reserved the right to issue necessary instructions specifically to 'Unregistered Type I NBFCs' in case any concerns/ risks are observed.

- **Conditions for new entities:**

New entities intending to claim the exemption must satisfy following conditions-

- no access to public funds,
- no customer interface,
- asset size of less than ₹1,000 Crore
- passing of annual Board resolution to not access public funds and customer interface
- disclosure in financial statements.

Further, in case of violation of conditions on public funds and/or customer interface, the statutory auditor shall submit an exception report to the RBI.

## BENEFITS OF THE NEW FRAMEWORK

- **No Registration Requirement:** No need to obtain or maintain RBI Certificate of Registration (CoR).
- **Regulatory Exemption:** Exempt from key provisions like Section 45IA and Section 45IC.
- **Lower Compliance Burden:** Significant reduction in ongoing regulatory compliances
- **Cost Efficiency:** Reduced compliance, reporting, and advisory costs.
- **Suitable for Group Structures:** Ideal for holding companies and intra-group investment entities.
- **Risk-Based Regulation:** Regulation aligned with low-risk profile (no public funds, no customer interface).
- **Simplified Governance:** Limited requirements such as Board resolution, disclosures, and auditor certificate.
- **Future Flexibility:** Option to transition into a registered NBFC if business model changes.

- **Reduced Supervision:** Lower regulatory oversight compared to registered NBFCs.
- **Clarity in Framework:** Clear recognition and structure for low-risk NBFC models.

## CONCLUSION

This amendment reflects a mature regulatory approach: not every financial entity needs the same level of oversight. By creating a formal, rule-bound exemption for small, privately funded, non-retail NBFCs, the RBI reduces unnecessary compliance burden without compromising financial stability oversight. The retained RBI powers, penal action, exception reporting, and the ability to issue specific instructions ensure that the lighter-touch regime does not become a loophole.

For more details, please refer to the RBI notification dated 29<sup>th</sup> April, 2026

<https://rbidocs.rbi.org.in/rdocs/Content/PDFs/SBR10022026DRAFT319858F2B242473CBE4568B31995B70D.PDF>

**DISCLAIMER:** - *The summary information herein is based on notification issued by RBI dated 29<sup>th</sup> April, 2026. While the information is believed to be accurate, we make no representations or warranties, express or implied, as to the accuracy or completeness of it. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, advice or solicitation. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.*