



Tax alert: RBI exempts low risk NBFCs from registration requirement

18 May 2026

Reserve Bank of India (RBI) has notified amendments to the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions, and Framework for Scale Based Regulation) Directions, 2025 (Amendment Directions 2026) exempting RBI registration requirements for low risk NBFCs. These amendments are effective from 1 July 2026.

In a nutshell, the key amendments are as under:



Exempt NBFCs

- RBI has introduced a new class of NBFCs i.e. Unregistered type I NBFCs – which are exempt from RBI registration requirements
- These NBFCs should qualify the following criteria:
 - No public funds
 - No customer interface
 - Asset size < ₹1000 crores (₹ 10 billion)



Conditions and safeguards

- If the NBFC has received public funds indirectly or a group has multiple unregistered Type I NBFCs whose aggregate asset size exceed ₹1000 crores (₹ 10 billion), then such NBFCs become ineligible for relaxation to registration
- RBI to maintain oversights on such NBFCs
- Statutory auditor to submit report by exception to RBI in case of violation of conditions



De-registration and timelines

- The amendments will come into effect from 1 July 2026.
- De-registration application by existing eligible NBFCs to be filed by 31 December 2026 with RBI.
 - Application to be supported by board resolution, statutory auditor certificate, business plan, undertaking on no public funds and no customer interface etc.



Scroll down to read the detailed alert

Key highlights:

In February 2026, RBI had issued a draft paper for public comments on giving exemption from registration to certain NBFCs which undertake investments out of their own funds and are “not availing public funds and which do not have customer interface”. Based on the feedback received from the stakeholders, RBI, vide its notification dated 29 April 2026, has issued the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026 (Amendment Directions, 2026), introducing registration exemptions for low-risk NBFCs, classified as ‘unregistered’ Type I NBFCs.

Effective from 1 July 2026, the Amendment Directions, 2026 provides for exemption and deregistration framework for eligible NBFCs, while continuing to preserve RBI’s regulatory oversight through prescribed disclosure requirements and supervisory powers.

Following are key amendments introduced under the Amendment Directions, 2026:

1. Exemption from registration – eligibility / in-eligibility:

A new class of NBFC is introduced i.e. ‘unregistered Type I NBFC’:

- Criteria for exemption:
 - No public funds¹ – current or in future
 - No customer interface² – current or in future
 - Asset size < ₹1,000 crore, as per latest audited balance sheet
 - Holding certificate of registration as NBFC from RBI
- NBFCs fulfilling above criteria are exempt from registration with RBI as NBFC.
- Existing NBFCs registered with RBI which do not currently meet the aforesaid exemption criteria but are reasonably expected to fulfil aforesaid criteria in the future, will be eligible for exemption and can apply for deregistration with RBI at that point in time.

Ineligible entities:

- NBFCs that have indirectly received public funds through associate or group companies will be ineligible under the above exemption criteria.
- If a group has multiple ‘unregistered Type I NBFCs’ whose aggregate asset size exceeds ₹1,000 crore, then none of the NBFCs within that group shall be eligible for the exemption.
- Existing ‘NBFCs not availing public funds and not having any customer interface’ which are **not holding Certificate of Registration as ‘Type I NBFC’** shall be ineligible for claiming exemption from registration requirements as available to NBFCs holding Certificate of Registration as ‘Type I NBFC’³

Matrix for exemption / registration requirement:

Category	Public Funds / Customer Interface	Asset Size	Registration Requirement with RBI
Unregistered Type I NBFC	No public funds and no customer interface	Less than ₹1000 Crore	Exempt
Type I NBFC	No public funds and no customer interface	>= ₹1000 Crore	Registration required
Type II NBFC	Yes (either / both)	Any Size	Registration required

¹ '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.

Note: RBI has clarified vide FAQ that loans received from Directors / shareholders will be considered as Public Funds.

² 'Customer interface' means interaction between the NBFC and its customers while carrying on its business

Note: RBI has clarified vide FAQ that lending to group entities will be considered as Customer Interface.

³ 'Type I NBFC' means 'NBFC not availing public funds and not having any customer interface' and holding Certificate of Registration as 'Type I NBFC' issued by the RBI. 'Type II NBFC' means an NBFC which is granted Certificate of Registration by the Reserve Bank as NBFC other than 'Type I NBFC'

2. **Deregistration window:** Existing eligible NBFCs can apply for deregistration effective 1 July 2026 to 31 December 2026 on PRAVAAH portal of RBI, along with following key documents:
 - Board resolution stating that the NBFC does not have public funds and customer interface and does not intend to avail public funds and have customer interface in future
 - Statutory Auditor certification stating no public funds and no customer interface as on date
 - Audited financial statements for the last three financial years
 - Statement on status of public funds and also of customer interface in the last three financial years
 - Undertakings from the Board of directors regarding business model in the financial statements
3. **Overseas investment restriction:** Exempt NBFCs proposing to undertake overseas investment in financial service sector shall:
 - Obtain registration as Type I NBFC with RBI
 - Obtain prior approval of RBI

Further, Unregistered Type I NBFC cannot make overseas investments in non- financial service sector.
4. **Continuing oversight / disclosure:** While Unregistered Type I NBFC are exempt from registration with RBI, such entities remain under RBI supervisory powers and shall make necessary disclosure in Notes to Accounts that NBFC.

Conclusion:

The Amendment Directions provide a significant evolution in the RBI's approach towards NBFC regulation by adopting a more nuanced framework aligned to the actual risk profile of entities. The said exemptions provide relaxation from regulatory restrictions and shall facilitate ease of doing business for proprietary investment, Family Offices, Investment SPVs and treasury-focused entities.

For eligible NBFCs, the deregistration window up to 31 December 2026, presents a strategic opportunity; however, any decision to pursue exemption should include an evaluation of future business model, operational plans, financial parameters, cross border investments / foreign exchange regulations and multiple NBFCs in a group etc.

Source: Notification Ref. RBI/2026-27/43 DOR.FIN.REC.No.67/03.10.001/2026-27 dated 29 April 2026 issued by RBI on Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see <http://www.deloitte.com/about> to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.