

RBI has exempted the NBFCs with assets below Rs 1000 Crore without public funds or customer interface from registration and reserve fund provisions

The Reserve Bank of India (RBI) vide its Notification No. RBI/2026-27/43 dated April 29, 2026, has notified the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026 on April 29. The changes revise the framework issued on November 28, 2025, following a review of rules governing such NBFCs.

As per the Notification, NBFCs with assets of less than Rs. 1,000 crores, based on their latest audited balance sheet, and operating without public funds or any customer interface will be exempt from the registration and reserve fund provisions under the Reserve Bank of India Act, 1934 from July 1, 2026.

The amended directions set out a three-category structure. A Type I NBFC is one that does not use public funds, has no customer interface, and holds a certificate of registration. Any NBFC that has been granted registration but does not fall within this category will be treated as a Type II NBFC. An Unregistered Type I NBFC refers to an entity meeting the same conditions but exempted from the provisions of Sections 45IA and 45IC of the Reserve Bank of India Act, 1934.

The exemption applies to NBFCs operating without public funds and customer interface as part of a conscious and long-term business model whose asset size remains below Rs 1,000 crore. Existing NBFCs that meet the criteria, including those already holding a certificate of registration as Type I NBFCs, may apply for deregistration by December 31, 2026. Applications for deregistration are required to be submitted through the PRAVAAH portal along with audited financial statements for the last three financial years, a statutory auditor's certificate confirming the absence of public funds and customer interface, and a board resolution stating that the entity does not have and does not intend to access public funds or have a customer interface in the future.

The directions state that such requests will be considered only if the Reserve Bank is satisfied that the NBFC is operating with a conscious and long-term business model without availing public funds and without having a customer interface. NBFCs that meet the same conditions but have an asset size of Rs 1,000 crore or more are required to apply for registration as Type I NBFCs, subject to fulfilment of prescribed conditions.

Where multiple Unregistered Type I NBFCs exist within a group, the asset size of all such entities will be aggregated. If the aggregate asset size reaches Rs 1,000 crore or more, all such entities will be required to be registered as Type I NBFCs. An Unregistered Type I NBFC intending to undertake overseas investment in the financial services sector is required to obtain registration and will be regulated in the same manner as a Type I NBFC. Such entities are not permitted to undertake overseas investment in the non-financial sector.

The amended framework also places reporting obligations on auditors. Statutory auditors are required to submit an exception report to the Reserve Bank in case of any violation of the

conditions relating to public funds or customer interface. The amendment also replaces references to “NBFC not availing public funds and not having any customer interface” in specified provisions across multiple RBI directions with the expression “NBFC holding Certificate of Registration as Type I NBFC”.

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