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RBI's 2026 Draft: Big Relief for NBFCs? A new category: Unregistered Type I NBFC

But is it really as simple as it sounds?

What is RBI proposing?

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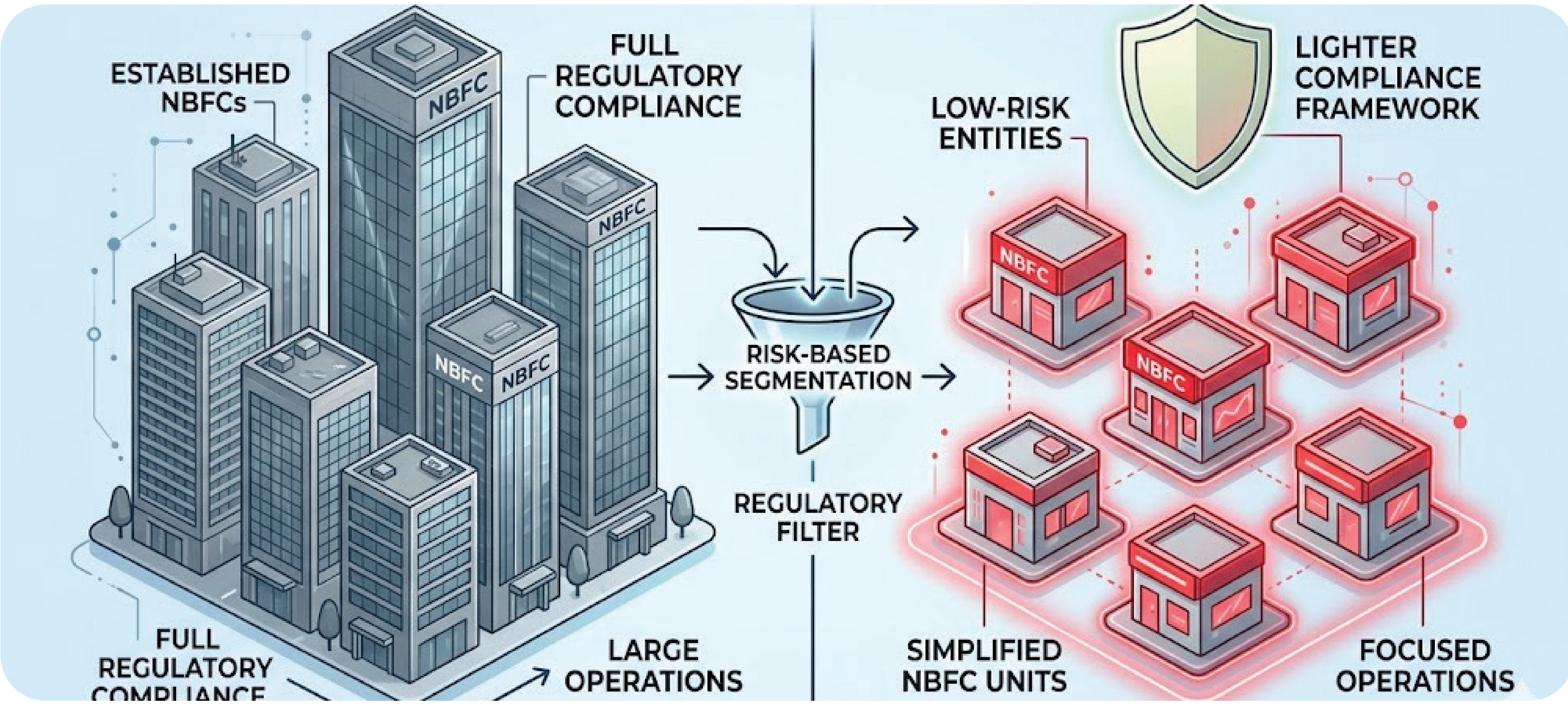

The draft separates low-risk NBFCs from the rest.

1. RBI has proposed that some NBFCs may no longer need registration.

2. This relief is for NBFCs that do not take public funds and do not have customer interface.

3. If such an NBFC is below ₹1,000 crore in assets, it may move into an exempt category called "Unregistered Type I NBFC".

4. The draft is not removing regulation for everyone — it is creating a narrower exemption for a specific NBFCs.

Who gets the exemption?

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The test is not only size. The business model matters too.

1. Asset size must be below ₹1,000 crore.
2. The NBFC must not avail public funds and must not intend to do so.
3. The NBFC must not have customer interface and must not intend to create one.
4. No overseas investment in financial service sector.

Important Threshold

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If assets are ₹1,000 crore or more, registration as a "Type I NBFC" becomes mandatory even without public funds or customer interface.

The Real Catch: Public Funds and Customer Interface

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This is where many structures may fail the exemption test.

1. "Public funds" is drafted broadly. It can include indirect funding through associates or group entities.

2. The draft also says loans from directors or shareholders will be treated as public funds.

3. "Customer interface" is also broad. It is not limited to retail customers.

4. Even lending or giving guarantees to group entities, shareholders, or directors can count as customer interface.

Why this matters?

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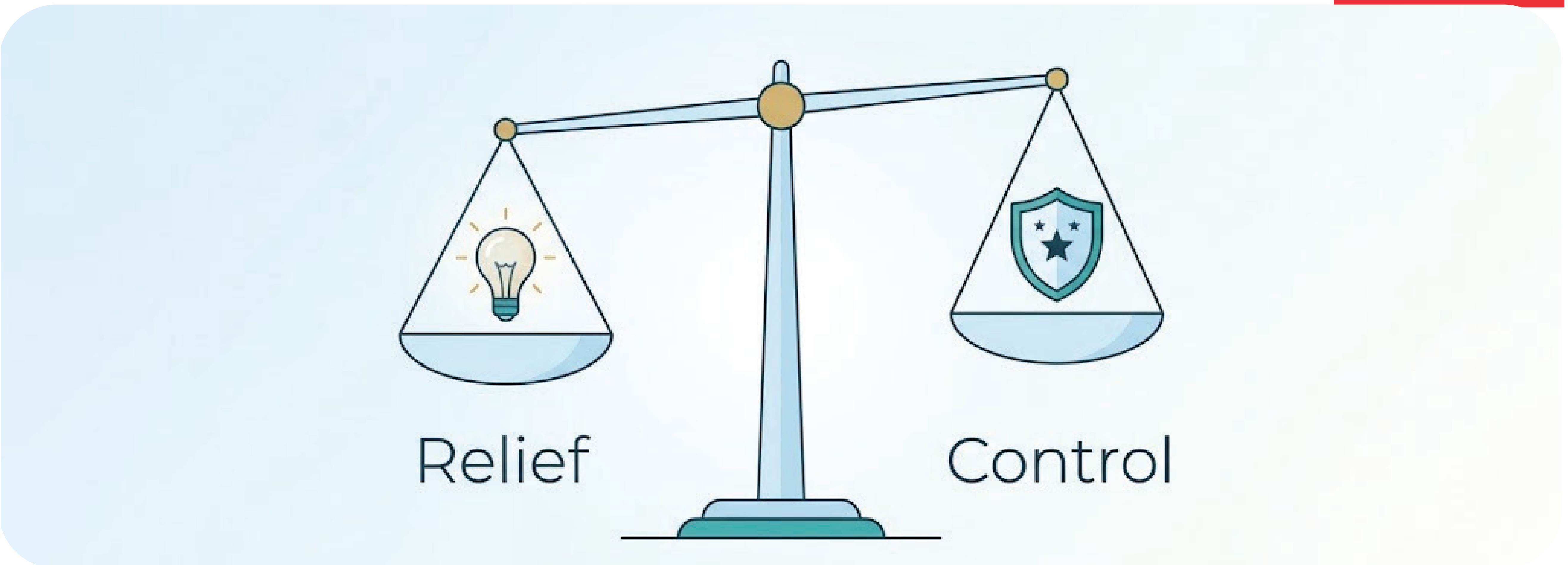

The draft reduces burden for low-risk entities, but it is not a free pass.

1. The proposal can reduce registration and compliance burden for small, privately funded NBFC structures.

2. But exemption from registration does not mean complete freedom from oversight.

3. The draft still keeps disclosure, anti-money laundering, and Supervision over the entities

4. A major relief measure, but eligibility will depend on facts, structure, and how RBI perceive it for claiming exemption.

Exit Option for Existing NBFCs

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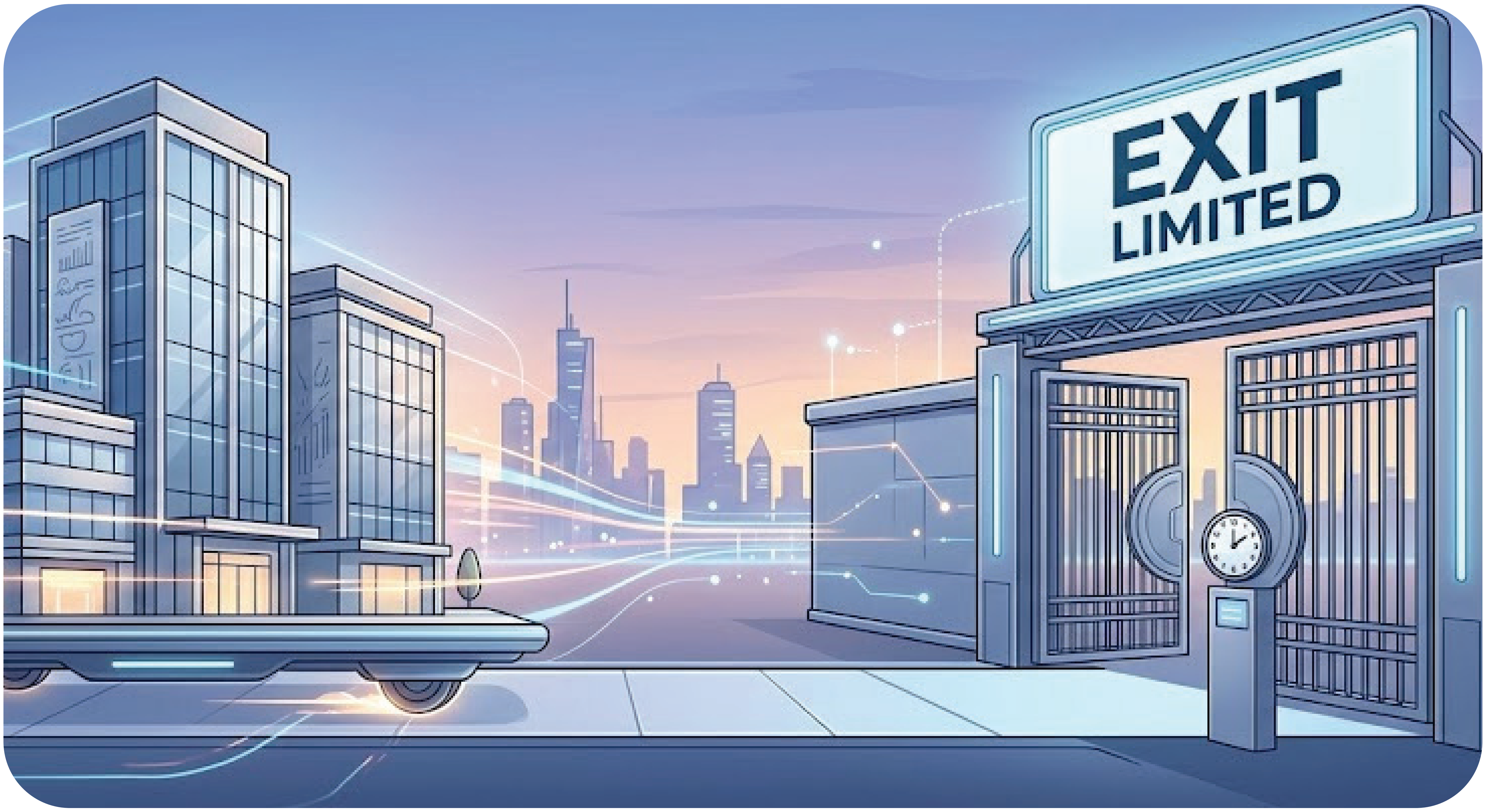

The draft gives an exit route, but not an automatic one.

1. Existing eligible NBFCs may apply for deregistration if they satisfy the exemption conditions.

2. The draft gives a six-month window from 1 April 2026 to 30 September 2026.

What will RBI check?

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This is where many structures may fail the exemption test.

1. RBI may examine whether the company is genuinely operating with a conscious business model that avoids public funds and customer interface.

2. Substance over form matters

Action points for NBFCs

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Boards, finance teams, and legal teams should review

1. Funding sources,
2. Intra-group transactions,
3. Nature of exposures, and
4. Customer interactions

Submission requirements

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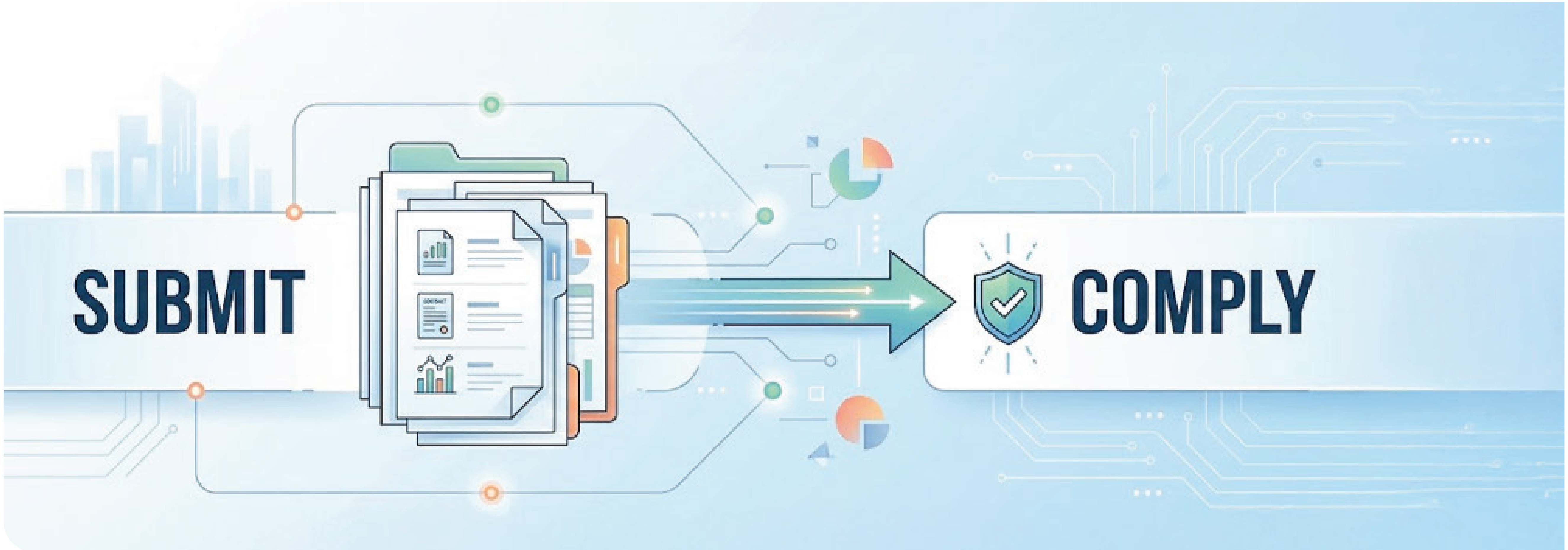

The draft reduces burden for low-risk entities, but it is not a free pass.

1. Companies must submit the original Certificate of Registration (physically),
2. 3 years of audited financials,
3. Auditor Certificates confirming no public funds/customer interface,
4. Board resolutions stating that the company does not have public funds and customer interface, and
5. Disclosure in balance sheet in notes to accounts that the company is Unregistered Type I NBFC and not having public funds and customer interface.

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Relief is real, but so are the conditions

Compliance is not just technical, it's also about regulatory perception.