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RSM India Newsflash – RBI Introduces New Exemption Framework for NBFCs

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For circulation only
19 August 2026

1. Introduction

The Reserve Bank of India (hereinafter referred to as the 'RBI'), through the **Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025**¹ (hereinafter referred to as the 'Master Directions'), has consolidated the regulatory framework governing registration, exemptions and classification of Non-Banking Financial Companies (hereinafter referred to as the 'NBFCs') under the Scale Based Regulation framework. The Master Directions were subsequently amended by the **Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026**² dated 29 April 2026, which introduced a revised regulatory framework for NBFCs not availing public funds and not having any customer interface, effective from 1 July 2026.



This Newsflash summarises the exemption from registration requirement in case where the NBFC meets certain specified conditions with respect to asset size, public funds, customer interface, etc.

2. Registration framework from 1 July 2026

For NBFCs operating without public funds and customer interface, the revised registration framework can be summarised as follows:

Particulars	Revised regulatory position
Asset size below Rs. 1,000 Crores	Existing eligible NBFCs, including those presently holding a Type I Certificate of Registration (CoR), may apply to RBI for deregistration by 31 December 2026. Such NBFCs post deregistration would be classified as Unregistered Type I NBFCs. The application is required to be accompanied by certain prescribed documents. It is also pertinent to note that NBFCs currently not fulfilling the prescribed criteria for exemption but fulfilling the same in future are also eligible to apply for deregistration at that point of time.

¹ Master Directions - Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

² Notifications - Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026

Particulars	Revised regulatory position
Asset size Rs. 1,000 Crores or above	Required to obtain RBI registration as a Type I NBFC, notwithstanding that the entity continues to operate without public funds and customer interface.
Intention to access public funds and / or have customer interface	Registration as Type II NBFC required before undertaking such activity
Overseas investment in financial services	Must first obtain RBI registration and be regulated like a Type I NBFC, applicable overseas investment requirements, including prior RBI approval, apply
Overseas investment in non-financial sector	Not permitted under the framework

Note: RBI's FAQs further clarify that new companies intending to operate on a conscious and long-term basis without public funds and customer interface are also not required to seek registration until their asset size reaches Rs. 1,000 Crores.

3. Way forward

The revised framework may be particularly relevant for investment / holding companies and Groups having NBFC entities. Such entities may consider and evaluate their existing registration status, asset size, funding arrangements, need for continuing the NBFC registration and intra-group activities to assess eligibility for the revised exemption framework and any consequential registration / deregistration requirements.



NBFCs and Groups should undertake a comprehensive entity level and group level assessment to determine the appropriate registration status and requirement under the revised framework.

For further information please contact:

RSM Astute Consulting Pvt. Ltd.

9th Floor, Maker Chambers VI, Nariman Point, Mumbai – 400021

301-307, 3rd Floor, Technopolis Knowledge Park, Mahakali Caves, Chakala, Andheri East, Mumbai - 400093

T: (91-22) 6108 5555/ 6121 4444

F: (91-22) 6108 5556/ 2287 5771

E: emails@rsmindia.in W: www.rsmindia.in

Offices: Mumbai, New Delhi - NCR, Chennai, Kolkata, Bengaluru, Navi Mumbai, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham, Jaipur and Vijayanagar.



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This Newsflash provides an overview of the New Exemption Framework for NBFCs introduced by the RBI through its Master Directions. It may be noted that nothing contained in this Newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain thereof and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this Newsflash.

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