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REGULATORY UPDATES

Proposed Policy Review: Exemption from NBFC Registration for Certain Non-Public Funds and Non-Customer Facing NBFCs

BACKGROUND

The Reserve Bank of India ("**RBI**"), through its **Statement on Developmental and Regulatory Policies dated 6 February 2026**, has outlined a series of developmental and regulatory measures across multiple areas, including existing regulatory frameworks, the payments system, financial inclusion, financial markets, and capacity building.

As part of this Statement, RBI has proposed a **significant regulatory change** to the applicability of **Certificate of Registration (CoR)** requirements for a specific category **of Non-Banking Financial Companies ("NBFCs").**

Overview of the Proposed Amendment

Acknowledging significantly lower systemic-risk profile, the proposal is limited to Type-I NBFCs, i.e., NBFCs that:

- have an asset size not exceeding ₹1,000 crore;
- do not accept or access public funds; and
- do not have any customer interface.

Extract of Statement on Developmental and Regulatory Policies

"Exemption from registration to eligible NBFCs not availing public funds and not having customer interface (including 'Type I NBFCs')

The Scale-Based Regulatory Framework for NBFCs envisages differential regulatory treatment for NBFCs that do not avail public funds and do not have any customer interface. Given their unique nature, a review of the regulations presently applicable to these NBFCs has been undertaken. Considering their significantly lower systemic-risk profile, it is proposed that such Type-I NBFCs with asset size not exceeding ₹1,000 crore, may be exempted from registration requirement with the Reserve Bank subject to certain specified conditions. The proposed exemption will reduce compliance requirements for these NBFCs. Accordingly, draft Amendment Directions will be issued shortly for feedback from stakeholders."

It is clarified that the detailed conditions, eligibility tests and transitional provisions (if any) will be specified in the Draft Amendment Directions yet to be issued.

Existing Regulatory Framework

Under the extant Scale-Based Regulatory Framework for NBFC issued by the RBI, any company satisfying the **Principal Business Criteria** ("PBC"), notwithstanding the absence of any intention to carry on NBFC business with the public, is required to obtain registration as an NBFC, irrespective of whether such entity raises public funds; or deals with customers at large. Thereby, the entities are typically compelled to either:

- liquidate financial assets and income streams to fall below the threshold; or
- apply for and obtain a CoR from the RBI.

The Principal Business Criteria is commonly referred to as the "50:50 test", under which an entity is regarded as carrying on NBFC business if:

- *more than 50% of its total assets are financial assets; and*
- *more than 50% of its total income is derived from financial activities.*

In practice, this regulatory construct has resulted in privately held investment vehicles, and family office structures being subjected to NBFC registration and periodic regulatory compliance and reporting requirements, notwithstanding their limited risk profile and absence of any public or customer interface.

Impact on Family Offices and Privately Investment Vehicles

Family offices, private investment companies, and trust-owned investment vehicles that:

- deploy proprietary or family capital;
- do not raise funds from the public; and
- do not deal with external customers,

may no longer be required to seek NBFC registration solely due to the composition of their balance sheet.

The proposal is expected to particularly benefit high-net-worth individuals and family groups seeking to consolidate investments under a single corporate or trust-owned vehicle, without inadvertently triggering NBFC classification, provided the applicable thresholds and conditions are satisfied.

Way Forward

Until the final amendment directions are notified, the existing regulatory obligations shall continue to apply. Upon issuance of the final directions, the establishments may review their existing structures to evaluate eligibility and applicability under the revised framework.

For more details, please refer the link below of RBI notification dated 6th February, 2026
https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62171

DPNC GLOBAL

CONTACT US

NOIDA OFFICE

DPNC GLOBAL LLP
Windsor Grand, 15th Floor,
Plot No. 1C, Sector-126,
Noida-201303, Uttar Pradesh

+91.120.6456990

dpnc@dpncglobal.com

https://dpncglobal.com/

GURGAON OFFICE

DPNC GLOBAL LLP
120, Vipul Business Park,
Sector-48, Sohna Road,
Gurugram, Haryana-122018

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