

**Statement on the feedback received on the draft Amendment Directions**

**Subject: Draft ‘Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026’**

The Reserve Bank, vide its [Press Release](#) dated February 10, 2026, had issued the captioned [draft Amendment Directions](#) soliciting feedback from the NBFCs, members of public and other stakeholders. Major feedback received and the comments thereon are summarized below:

**1. Paragraph 5(2) – Indirect public funds**

**Feedback:** The feedback states that the stipulation of indirect public funds leads to treating equity investment in the NBFC by Group entity having debt as ‘indirect receipt of public funds’, even if such equity was funded from owned funds. It is suggested to prescribe that equity from Group entity's owned funds may not be considered as ‘indirect public funds’ subject to relevant certification.

**RBI Comments: Not Accepted** – Due to use of leverage, multiple layers and fungibility of money, it is difficult to establish with reasonable assurance whether the equity infusion by Group entity is from their owned funds.

**2. Clause (1) of Paragraph 5(6) – Regulatory requirements for ‘NBFCs not availing public funds and not having customer interface’.**

**Feedback:**

- (a) It is suggested to clarify that for the proposed exemption, the asset size will be assessed based on the last audited financial statements, and clarity is requested whether the exemption would be available automatically or do the companies need to approach the Reserve Bank for exemption.
- (b) It is suggested to clarify that eligible NBFCs can apply for deregistration irrespective of whether registered as ‘Type I NBFC’, ‘Type II NBFC’ or registered prior to [Press Release](#) dated June 17, 2016.
- (c) In view of no exposure to depositors/ lenders/ customers and operating fully with owned funds, it is suggested to grant exemption from sections 45IB and 45IC of the RBI Act, 1934 also.

- (d) It is suggested to make deregistration an ongoing facility rather than six-month window as some NBFCs may meet the stipulated criteria at a later stage.
- (e) It is suggested to remove the asset size limit and to exempt NBFCs with miniscule/ peripheral instances of customer interface also.
- (f) It is suggested to provide for adjustments in asset size due to implementation of Ind AS for ascertaining the asset size threshold for exemption. Further, it is suggested that NBFCs which have applied for deregistration or conversion may be subjected to relaxed regulations as applicable to 'Type I NBFCs'.

**RBI Comments:**

- (a) **Accepted** – The asset size for exemption shall be as per the latest audited balance sheet and new companies are eligible for exemption without approval from the Reserve Bank. Suitable incorporations are made in the Amendment Directions/ FAQs.
- (b) **Clarified** – The draft Amendment Directions already stipulate that all existing NBFCs fulfilling the prescribed criteria for exemption are eligible for exemption and deregistration.
- (c) **Partially Accepted** – While exemption from section 451C of the RBI Act, 1934 is granted to 'Unregistered Type I NBFCs', exemption from section 451B is not relevant since these NBFCs do not accept public deposits.
- (d) **Accepted** – It has been suitably incorporated in the final Amendment Directions.
- (e) **Not accepted** - The asset size of ₹1,000 crore is viewed as threshold level for systemic significance requiring oversight of the Reserve Bank. Further, the intent is to provide exemption only to those NBFCs having conscious and long-term business model of operating without public funds and customer interface.
- (f) **Not accepted** – In order to ensure uniform application, the asset size shall be based on audited financial statements prepared as per the applicable accounting standards, including Ind AS, without any adjustments. Further, NBFCs which have applied for deregistration or conversion, can be subject to relaxed regulations only after establishing that these NBFCs are indeed eligible for relaxed regulations or exemptions by the Reserve Bank.

**3. Clause (3) of Paragraph 5(6) – Conscious business model**

**Feedback:** It is suggested to elaborate the term ‘conscious business model to operate without public funds and customer interface’ and to publish the criteria for ‘satisfaction’ of the Reserve Bank about such business model.

**RBI comments: Clarified** – The extant regulations along with FAQs already provide clarity on ‘public funds’ and ‘customer interface’. Conscious business model would entail a conscious stance/ plan to operate without availing public funds and customer interface. The documents required for ascertaining conscious business model are also listed in draft Amendment Directions which will be relied upon by the Reserve Bank for ascertaining conscious business model.

#### **4. Clause (7) of Paragraph 5(6) – Overseas investments**

**Feedback:** It is suggested to remove registration requirement and other guidelines for overseas investment in financial services sector of ‘Unregistered Type I NBFCs’. Further, ‘Unregistered Type I NBFCs’ may be permitted to make overseas investments in non-financial sector subject to reporting to the Reserve Bank.

**RBI Comments: Not Accepted** – Overseas direct investment in financial services sector by Indian entity is governed under the provisions of FEMA and Rules/ Regulations/ Directions/ Notifications made thereunder. The relevant Rules, *inter-alia*, stipulate registration with or regulation by financial services regulator in India and other guidelines. Further, it has been decided that they may be allowed to undertake investments only in financial services sector.

#### **5. Clause (5) of Paragraph 5(7) – Exception Reporting**

**Feedback:** It is suggested to clarify whether Exception Reporting by Statutory Auditors is intended to be restricted only to public funds and/ or customer interface violations or it would extend to non-compliance with other conditions for exemption as well.

**RBI comments: Accepted** – Exception reporting by Statutory Auditors shall include reporting of violation of any of the conditions for exemption.

#### **6. FAQ No.7 – Definition of public funds**

**Feedback:** Borrowings/ ICDs from promoters/ directors/ shareholders/ their relatives/ Group entities/ private companies, etc., may not be treated as ‘public funds’. Further, a clarity is requested on whether margin trading facility, loans/ deposits from financial institutions, NBFCs, etc., shall be classified as ‘public funds’.

**RBI comments: Not accepted** – Public funds are essentially any type of borrowings irrespective of their source. Such funds reflect as debt and do not carry loss absorbency like capital due to repayment obligations, and they rank superior to the claims of capital holders. Further, it is clarified that the money availed through margin trading facility constitutes public funds.

#### **7. FAQ No.8 – Definition of customer interface**

**Feedback:** It is suggested not to consider intra-Group loans, loans to directors/ shareholders, their family members, relatives, friends, Group entities, etc., and guarantees to these entities as 'customer interface'.

**RBI comments: Not Accepted** – Loans/ guarantees/ ICDs with Group entities, directors, promoters, etc., attract the provisions on KYC/AML, IRAC norms, credit information reporting, etc. The prudential regulations are agnostic to the type of borrower.

#### **8. FAQ No.13 – Multiple NBFCs in the Group**

**Feedback:** The Reserve Bank should address a situation wherein multiple 'Unregistered Type I NBFCs' are created within the Group to remain below the prescribed asset size limit of ₹1,000 crore for exemption.

**RBI Comments: Accepted** – The regulatory intent of granting exemption for asset size of less than ₹1,000 crore shall not be circumvented through floating of multiple small 'Unregistered Type I NBFCs' in the same Group. A suitable explanation has been added in the Amendment Directions.

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