



The Reserve Bank of India (RBI) has set in motion a transformative regulatory shift effective **April 1, 2026**. This landmark move fundamentally alters the compliance requirements for Non-Banking Financial Companies (NBFCs), effectively ending the mandatory registration for "Type I" entities that do not pose a systemic risk to the financial ecosystem.

By distinguishing between entities that manage private wealth and those that interface with the public, the RBI is significantly reducing "regulatory cholesterol" for family offices and captive treasuries.

### **The Paradigm Shift: From Mandatory to Risk-Based Registration**

Historically, any entity meeting the "**50-50 Test**" (where financial assets and income exceed 50% of the total) was required to obtain a Certificate of Registration (CoR). As of April 2026, the RBI is moving toward a risk-based exemption model.

The New Three-Tier Classification (Effective April 2026)

Category	Public Funds	Customer Interface	Asset Size	Status
<b>Unregistered Type I</b>	No	No	< ₹1,000 Crore	Exempt from Registration
<b>Registered Type I</b>	No	No	≥ ₹1,000 Crore	Mandatory Registration
<b>Type II NBFC</b>	Yes	Yes	Any Size	Mandatory Registration

### **Defining the "Safe Harbour": Public Funds and Customer Interface**

"Customer Interface" broadly to qualify for the end of registration, an entity must strictly operate without external financial ties. The RBI has broadened these definitions to ensure that only truly "private" entities are deregulated.

#### **Zero "Public Funds" Exposure**

The definition of public funds is no longer limited to public deposits. Under the new 2026 directions, it includes:

- **Market Borrowings:** Commercial Papers (CPs), Debentures, and Inter-corporate Deposits.



- **Bank/FI Loans:** Any form of borrowing from banks or financial institutions.
- **Shareholder Loans:** Borrowings from directors or shareholders, previously often exempt, are now scrutinised as public funds for this specific classification
- **No "Customer Interface"** defined to prevent retail-like activity within unregistered entities. This includes:
  - Lending or providing guarantees to Group Companies or associates.
  - Interacting with shareholders or directors for financial products.
  - Digital interfaces for loan origination or third-party distribution (e.g., insurance or mutual funds).

### **Case Study: The Transition of Veda Investments Pvt Ltd**

**Background:** Veda Investments is a family-managed investment vehicle with an asset size of ₹450 crore. It was registered as a Type I NBFC in 2022 to comply with legacy laws.

#### **The 2026 Strategy:**

1. **Debt Realignment:** The company cleared all outstanding inter-corporate loans from sister concerns by March 31, 2026, ensuring zero exposure to "Public Funds."
2. **Strategic Filing:** The company passed a Board Resolution confirming its intent to remain a "no-fund, no-interface" entity.
3. **Deregistration:** Veda filed its application via the PRAVAAH portal in June 2026.

**Outcome:** By becoming an Unregistered Type I NBFC, Veda reduced its annual compliance overhead by an estimated ₹20 Lakhs, eliminating the need for intensive statutory filings and specialised NBFC audits.

### **The Deregistration Roadmap: Key Deadlines**

For existing NBFCs that now fall under the "Unregistered" criteria, the transition must be handled within a specific window.

- April 1, 2026: Regulations come into effect.
- **Transition Window:** April 1, 2026, to September 30, 2026.
- **Application Requirements:**
  - Original CoR: Must be physically surrendered.
  - Auditor Certification: A Statutory Auditor's Certificate (SAC) confirming no public funds/customer interface for the last three years.
  - Financials: Audited balance sheets for the preceding three fiscal years.



**Important Note:** If an entity crosses the ₹1,000 crore threshold or accesses public funds at any point, it must apply for registration within three months or face severe penalties for operating an unauthorised NBFC.

### **Strategic Benefits and Ongoing Obligations**

#### **Impact on Family Offices and Conglomerates**

One of the most significant benefits of this deregulation is the Group-Level Asset Aggregation rule. The assets of "Unregistered Type I" entities are now excluded when determining if a corporate group enters the "Middle Layer" of the Scale-Based Regulation (SBR) framework. This prevents smaller investment arms from dragging the entire group into a higher regulatory bracket.

#### **Mandatory Continuous Compliance**

Even without a registration number, these entities are not invisible. They must:

- Pass an Annual Board Resolution affirming their exempt status.
- Disclose their status as an "Unregistered Type I NBFC" in their Notes to Accounts.
- Maintain the 50-50 Test; failing this may lead to reclassification under different corporate laws.

#### **Conclusive Summary**

The RBI's April 2026 Regulations signal a "maturity milestone" for India's financial sector. By ending mandatory registration for small, private, non-interfaced NBFCs, the central bank has effectively separated "entities that invest" from "entities that lend."

This provides immense operational flexibility for private treasuries, allowing them to focus on capital growth rather than regulatory paperwork. However, the onus of maintaining this exempt status lies squarely on the Board of Directors. The "End of Registration" is not the end of responsibility, but an invitation to a trust-based regulatory environment.



**Affluence Advisory Pvt. Ltd.**  
**The End of Registration for Private NBFCs: Understanding  
RBI's April 2026 Deregulations**

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