On 10 June 2026, the Reserve Bank of India (RBI) published a notification that, in the dry language of central-bank regulation, announced the cancellation of Certificates of Registration (CoR) of **135 Non-Banking Financial Companies (NBFCs)** across India. It was, on the surface, a two-paragraph press release. Beneath it lay a story that every NBFC promoter, investor, compliance officer, and fintech entrepreneur would do well to read with full attention.

Among the cancelled entities were names that carried some recognition—Essel Finance Business Loans, Citiwide Financial Services, Jupiter Finvest, Akshay Fiscal Services. An overwhelming 125 of the 135 entities were domiciled in the Eastern belt, with the remainder spread across Maharashtra, Delhi, Madhya Pradesh, Manipur, Tamil Nadu, and Telangana. In a separate notification issued the same day, 13 NBFCs surrendered their own registrations voluntarily, either because they had wound down operations, been absorbed into other entities, or were classified as unregistered Core Investment Companies that no longer needed a CoR.

This was not a one-off. In January 2026, the RBI had cancelled registrations of 35 more NBFCs. The pattern is unmistakable: India's central bank is systematically cleansing a register that had grown bloated with entities that exist on paper but operate in the shadows—or worse, do not operate at all.

The Architecture of Authority: Section 45-IA of the RBI Act

To appreciate why the RBI acted, one must first understand the statutory foundation it stands on. Section 45-IA of the Reserve Bank of India Act, 1934—introduced with effect from 9 January 1997—is the cornerstone of NBFC regulation in India. It mandates that no company shall commence or carry on the business of a Non-Banking Financial Institution (NBFI) without obtaining a CoR from the Reserve Bank.

But the legislature was careful not to make registration a once-and-done privilege. Sub-section (6) of Section 45-IA **expressly empowers the RBI to cancel a CoR** when an NBFC triggers any one of a prescribed set of conditions. This is the statutory hook upon which all 135 cancellations were hung.

The RBI Act is supplemented by the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (the 'SBR Master Direction'), issued on 19 October 2023. This omnibus document superseded the earlier 2016 Master Directions for both systemically important and non-systemically important NBFCs, and consolidated the entire compliance architecture into a single framework. It is, for all practical purposes, the operating manual for every NBFC in India today.

The Legal Triggers: When Can the RBI Pull the Plug?

Under Section 45-IA(6), the RBI is empowered to cancel a CoR if an NBFC falls into one or more of the following categories. Each trigger represents a distinct category of regulatory failure:

1. Cessation of NBFC Business

If an entity ceases to carry on the business of a Non-Banking Financial Institution in India, its registration becomes a hollow shell. The RBI Act never envisaged that CoRs would be held as options to be exercised at will. An NBFC that has stopped lending, investing, or conducting any financial activity for which it was registered has no legitimate claim to maintain its licence. Many West Bengal-based entities in the June 2026 list likely fell into this category—entities that had been dormant for years, filing minimal returns or none at all.

2. Failure to Comply with Conditions of Registration

Every CoR is issued subject to conditions—implicit and explicit. The primary condition is the maintenance of the prescribed Net Owned Fund (NOF). Under the SBR Master Direction, the NOF requirements were significantly revised. NBFC-Investment and Credit Companies (NBFC-ICCs), NBFC-Microfinance Institutions, and NBFC-Factors are required to maintain a minimum NOF of ₹10 crore, to be achieved via a glide path: ₹5 crore by March 31, 2025, and ₹10 crore by March 31, 2027. The historic floor of ₹2 crore, which many legacy NBFCs had been comfortable sitting at, is now firmly in the past.

An entity that registered years ago at ₹2 crore NOF and never grew its capital base now finds itself in breach of a fundamental condition of its existence. This alone is a ground for cancellation.

3. Failure to Comply with RBI Directions

This is the broadest trigger—and arguably the most powerful. The SBR Master Direction runs to dozens of pages of obligations covering capital adequacy, asset classification, provisioning, governance, risk management, KYC/AML compliance, outsourcing controls, digital lending norms, and more. Non-compliance with any material direction can constitute grounds for cancellation. The RBI has increasingly signalled that it views failure to comply with its Master Directions not as a procedural lapse but as a fundamental breach of the regulatory compact.

In a documented case in 2024, licences were cancelled for NBFCs that had outsourced core functions—including credit assessment and KYC—without maintaining adequate oversight, and for violations of data privacy norms. In 2025, Datta Finance and Trading lost its registration after serious irregularities in digital lending practices. Source: Business Line, BFSI News. These are not abstract examples; they are the lived consequences of regulatory drift.

4. Disproportionate Risk to Public Interest or Depositors

Where the RBI determines that an NBFC's continued operation poses a disproportionate risk to the financial system or to its depositors, cancellation may proceed with immediate effect—without the customary opportunity for the entity to respond. This carve-out for urgency reflects the regulator's acknowledgment that in cases of active harm, the procedural niceties of natural justice may yield to the imperative of protection.

Margdarshak Financial Services, a Lucknow-based NBFC, had its registration cancelled after statutory audit revealed cash flow distress, high net NPAs, and a default of over ₹49 crore on repayments to lenders, source : ET now. Its continued operation would have deepened harm to all stakeholders.

A Structural Outcome

A significant number of NBFCs incorporated during the post-liberalisation period of the 1990s were established under a substantially lighter regulatory framework, when minimum capital requirements were relatively modest and many entities were set up as investment-focused companies. Over time, as the regulatory landscape evolved—with the introduction of enhanced governance standards, progressively higher Net Owned Fund (NOF) requirements, stricter asset classification norms, and the Reserve Bank of India's Scale-Based Regulatory (SBR) framework—some of these legacy entities, particularly those that had remained dormant, inactive, or were operating on a limited scale, found it increasingly difficult to meet the revised compliance expectations.

Accordingly, the recent cancellations that has been underway for several years, reflecting the gradual exit of legacy entities that were unable to align with the contemporary prudential framework.

The SBR Framework: Four Tiers, One Reckoning

The Master Direction – NBFC Scale Based Regulation Directions, 2023, which governs the contemporary NBFC landscape, classifies NBFCs into four regulatory tiers based on asset size, systemic importance, and activity profile:

Base Layer (NBFC-BL)	Non-deposit-taking NBFCs with assets below ₹1,000 crore. Minimum NOF: ₹2 crore for P2P, Account Aggregators, and entities without public funds; ₹10 crore for ICC/MFI/Factor (glide path to 2027).
Middle Layer (NBFC-ML)	Deposit-taking NBFCs, non-deposit-taking NBFCs with assets ≥ ₹1,000 crore, and specified activity-based NBFCs (HFC, IFC, IDF, etc.). Full 90-day NPA recognition. Standard asset provisioning at 0.40%
Upper Layer (NBFC-UL)	RBI-identified entities whose risk profile warrants near-bank-grade supervision. Must maintain Common Equity Tier 1 capital of minimum 9% of Risk Weighted Assets, plus leverage requirements.

Top Layer	Currently envisaged as empty. Reserved for entities posing extreme systemic risk, subject to the most stringent regulatory norms.

Entities in the cancelled list overwhelmingly occupied—or failed to occupy—the Base Layer. Many did not meet even the most basic continuing obligations of this tier. The SBR framework was not designed as an additional burden on compliant entities; it was designed as a sorting mechanism that would ultimately surface non-viable ones.

The Process: How Cancellation Actually Works

The cancellation of an NBFC's CoR follows a procedural pathway that balances regulatory urgency with natural justice. Understanding this pathway is essential for any entity that receives—or fears receiving—a show-cause notice from the RBI.

- **Step 1** — Show-Cause Notice (SCN): The RBI ordinarily issues an SCN to the NBFC before cancellation, setting out the grounds on which it proposes to act and inviting the entity's response within a prescribed timeline.
- **Step 2** — Response and Hearing: The NBFC is given an opportunity to clarify its position, submit documents, and, in some cases, appear before the RBI for a hearing. This opportunity may be waived only where the RBI determines that a delay would be contrary to public interest or threaten depositors.
- **Step 3** — Order of Cancellation: If satisfied that the grounds for cancellation are made out, the RBI issues a formal order under Section 45-IA(6). The order is published, and the entity ceases to be permitted to transact NBFC business from the date specified.
- **Step 4** — Appeal: An aggrieved NBFC may appeal to the Central Government within 30 days of receiving the cancellation order.
- **Step 5** — Corporate Existence: The cancellation of a CoR does not extinguish the company as a legal entity under the Companies Act, 2013. The entity continues to exist as a company but is barred from conducting NBFC business unless fresh regulatory approval is obtained.

Notably, the RBI has not, in the June 2026 batch, disclosed entity-specific reasons for cancellation. Its notifications invoke Section 45-IA(6) in omnibus terms. This approach, while consistent with past practice, has drawn some commentary from legal practitioners who argue that affected entities—and the market at large—would benefit from greater transparency about the precise regulatory failings that triggered each action.

From Gatekeeper to Permanent Supervisor: The Regulatory Shift

Perhaps the most consequential takeaway from the June 2026 cancellations is not the number 135, but the philosophy they represent. For much of the NBFC sector's post-1997 history, obtaining a CoR was perceived as the primary hurdle. Once registered, an entity—particularly a smaller, non-deposit-taking one—could reasonably expect that the RBI's supervisory gaze would remain fixed on the larger players: deposit-taking NBFCs, systemically important ones, and those with significant public exposure.

> ***"The licence was once a door to enter. It has now become a standard to continuously meet."***

That calculus has fundamentally changed. The RBI's messaging across its recent enforcement actions is consistent and clear: registration is the beginning of regulatory engagement, not its culmination. The scale-based framework, with its differentiated and progressively demanding norms for each tier, was designed precisely to ensure that supervisory intensity tracks an entity's risk profile—and that entities which cannot sustain even Base Layer compliance cannot sustainably hold a CoR.

The shift is from entry regulation to continuous supervision. Every NBFC today—regardless of size—must demonstrate ongoing compliance, governance substance, and operational viability. The June 2026 action is a reminder that the RBI's register is not a passive historical record; it is an active reflection of who is entitled to participate in India's regulated financial system.

What This Means: Implications for Stakeholders

For NBFC Promoters and Boards

The first obligation is audit. Any NBFC whose CoR predates 2015 and has not materially updated its compliance posture should commission an immediate internal review. The checklist includes: current NOF against the SBR glide path, NPA recognition timelines, status of board composition (including the mandatory director with NBFC/bank experience), adequacy of Fair Practices Code and Grievance Redressal mechanisms, KYC/AML reporting, and IT governance.

For Investors and Private Equity Sponsors

Due diligence on NBFC targets must now explicitly verify CoR status, compliance history, and any outstanding SCNs. The existence of a CoR is a necessary but no longer a sufficient condition of investment comfort. Investors must satisfy themselves that the target entity's compliance infrastructure is not just technically intact but operationally embedded.

For Borrowers and the Public

The RBI has, in its notifications, advised the public to verify the regulatory status of any financial entity before transacting with it. The Register of NBFCs maintained on the RBI's website is a publicly accessible resource. In a landscape where unregistered entities continue to solicit public funds and offer financial products without authorisation, this advisory carries real urgency.

Conclusion: The Thinning of the Register

India's NBFC sector is in the middle of a structural contraction that is entirely deliberate. The RBI has, over the past several years, consistently reduced the total number of registered NBFCs through a combination of raised NOF thresholds, tightened governance norms, and active enforcement. The number of NBFCs registered with the RBI has fallen to approximately 9,075 today—and the June 2026 cancellations add another 135 to the tally of departed entities.

This is not a failure of the NBFC model. It is a maturing of it. A sector that operates closer to the regulatory frontier of banking should, like banking, be composed of entities that are genuinely capable of sustaining that standard. The entities whose registrations were cancelled in June 2026 were, in the RBI's assessment, unable to do so.

For those who remain—and for those who aspire to enter—the message from Mint Road is neither punitive nor discouraging. It is simply this***: a licence to conduct financial business in India is a privilege that must be earned continuously, not just once. The register has been thinned. Its remaining entries must be institutions worthy of the trust that licence represents.***

Srces & Legal References

RBI Press Release dated 10 June 2026 (Cancellation of CoR of 135 NBFCs) | Section 45-IA of the Reserve Bank of India Act, 1934 | Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, dated 19 October 2023 | Business Standard, Moneylife, Open Magazine, Mondaq/Legitpro Law (June 2026) | NBFC Advisory (January 2026) | Sansa Legal (March 2026)