



National Pension Commission

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Requirements for PFA Licence

Form APP/01/PFA

February 2005

REQUIREMENTS FOR PENSION FUND ADMINISTRATOR LICENCE

1.0 Application Procedure

- 1.1 Any organisation wishing to transact the business of a Pension Fund Administrator (PFA) in Nigeria must apply and be duly licensed by the National Pension Commission (PenCom) in accordance with Sections 44, 49, 50 and 97 of the Pension Reform Act 2004.
- 1.2 Application for a licence to transact business as a PFA shall be made in the prescribed manner as determined by PenCom.
- 1.3 Application for a licence to transact business as a PFA shall be made to the Director General, National Pension Commission.
- 1.4 After meeting the requirements for the grant of a licence for a PFA, an Approval-In-Principle (AIP) may be granted to the applicant, which shall be valid for three (3) months only.
- 1.5 The satisfactory fulfilment of the requirements for commencement of operations would lead to the grant of a licence.

2.0 Requirements

The following are the requirements that must be met by any organisation wishing to be licensed to carry on the business of a PFA in Nigeria.

- 2.1 The applicant must submit to PenCom evidence that it:
 - 2.11 is a duly incorporated limited liability company in Nigeria under the Companies and Allied Matters Act, Cap. C20 LFN 2004.
 - 2.12 shall not engage in any business other than the management of pension funds;

- 2.13 has not compounded its debt or failed to honour its obligations;
 - 2.14 has the professional and technical capacity to manage pension funds and administer retirement benefits;
 - 2.15 has satisfied all requirements prescribed by the Pension Reform Act 2004, other relevant laws or any such additional requirements or conditions as may be prescribed from time to time by PenCom; and
 - 2.16 possesses appropriate Information and Communication Technology that could adequately cater for online real-time transactions in addition to keeping proper accounting records.
- 2.2 Application shall be accompanied by:
- 2.21 Duly completed Application Form (APP/02/PFA).
 - 2.22 A non-refundable application fee of ₦500,000.00 (Five Hundred Thousand Naira) in bank draft payable to National Pension Commission and marked "Application Fee".
 - 2.23 Name, Address (physical and electronic) and Telephone numbers of the person to whom enquiries may be referred.
 - 2.24 Address and location of the applicant's registered office and proposed Head Office, if different from the registered office.
 - 2.25 Attestation that the applicant or its subscribers, directors or officers have never mismanaged, either fully or partially, any fund.

3.0 Documents to be Submitted

An application shall include the following:

- 3.1 A Certified True Copy of the Memorandum and Articles of Association of the applicant company which must contain, amongst others, the following provisions:
 - 3.11 the sole object being to conduct the business of pension fund administration;
 - 3.12 a provision precluding the PFA from trading on its own account or purchasing or selling pension fund assets to itself, shareholders, directors, employees, affiliates or other related party; and

- 3.13 a limitation on the issuance of any un-issued share capital, rights issue, issuing preference shares or debentures by the PFA without *prior* written approval of PenCom.
- 3.2 Certified True Copy of Form C02 (Allotment of Shares), C07 (Particulars of Directors), C06 (Location of Registered Office) and Certificate of Incorporation. For existing companies, the latest 3 years audited accounts and management letters of the applicant company shall be submitted.
- 3.3 A signed copy of a Technical Services Agreement (where applicable).
- 3.4 Feasibility Report/Business Plan which shall contain, amongst others, the following:
- 3.41 Business Strategy and Objectives of the PFA. (State the broad objectives of the PFA). It should cover amongst others, the services to be rendered, business strategy, profit growth, investment objectives as well as implementation plan;
- 3.42 Ownership structure of the applicant in columnar format showing names and profession/business of proposed investors, and percentage shareholding. Bio-data/resume of shareholders shall also be attached.
- (i) Applicants are invited to note that:
- Appropriate status enquiries would be carried out on the fitness and properness of the investors; and
 - Individual holding five (5) % and above shareholding would be considered a significant shareholder.
- (ii) For corporate investors, promoters shall attach:
- Certificate of Incorporation and Forms CO2 and C07;
 - Board Resolution supporting company's decision to invest in equity shares of the proposed PFA;
 - Names and current addresses (Business and Residential) of investors/directors and their related companies, if any;
 - Latest 3 years audited accounts & reports of the company; and
 - Latest copy of audited accounts or statement of affairs for companies in operation for less than a year.

- 3.43 Undertaking by the investors that the PFA will be adequately capitalised for the volume of its business at all times.
- 3.45 Organisational structure showing functional units and reporting relationships.
- 3.5 Where the applicant intends to have branches, provide details of policy on branch expansion indicating policy objectives, probable location of branches and targeted number of accounts.
- 3.6 Applicant's Five Year financial projections including Balance Sheet, Profit and Loss Account and Cash Flow Statement and underlying assumptions.
- 3.7 The structure of proposed Board and senior management, committees and internal control systems. The reporting arrangement must be such that it provides for effective, efficient and prudent management of Retirement Savings Accounts. The following information shall also be provided:
- 3.71 Specify the criteria for selecting Board members noting that the size of the Board should not be unwieldy;
- In the case of executive members, selection must comply with the requirements on the "pre-qualification for appointments into top management" issued by PenCom; and
 - Provide additional information on appropriate competences to enable them to fulfil their duties.
- 3.72 Clearly specify the roles and responsibilities of the Board and its Sub-Committees.
- 3.73 The full names and address and detailed curriculum vitae outlining the relevant qualification and experience of each of the proposed Board members of the PFA including directorship of other companies for the past ten years. Each of the proposed directors and the Chief Executive Officer would also be required to fill a Personal Profile Form No. APP/PPF/01.
- 3.74 Evidence that the proposed Chief Executive Officer has consented to his appointment.
- 3.75 Proposed Board members and top management may be invited to attend interview at PenCom.

- 3.76 Outline the policy on succession plan for key officers.
- 3.8 Attestation by each of the proposed members of the Board and top management that he/she has never:
- 3.81 compounded his/her debt, had a judgement debt, or been involved in any fraud;
 - 3.82 been indicted by any commission of inquiry;
 - 3.83 been refused or expelled from membership of a professional body or association;
 - 3.84 been convicted by any court of law or is under any pending criminal prosecution; and
 - 3.85 as not been disqualified under any law in Nigeria from acting in that capacity.

4.0 Minimum Capital Requirement

- 4.1 After preliminary evaluation of an application and before the issuance of an AIP, applicant shall be required to submit evidence of deposit of a minimum paid up capital of ₦150 million in an escrow account with the Central Bank of Nigeria (CBN) along with details of contribution by each investor. Pencom would issue applicants with letters of introduction to CBN.
- 4.2 Where an applicant fails to obtain an AIP, the amount deposited and interest thereon would be refunded immediately on notification. Similarly, where an AIP is granted the amount deposited and interest thereon will immediately be released to meet the requirements for commencement of business.

5.0 Requirements for Commencement of Operations

Once the PFA is ready to commence business and within 3 months of the grant of an AIP, it should inform PenCom through a letter containing the following:

- 5.1 Non-refundable licence fee of ₦5million.
- 5.2 Copy of the shareholders' register.
- 5.3 Copy of the share certificate issued to each investor.

- 5.4 Copy of the opening statement of affairs signed by directors and Firm of Chartered Accountants.
- 5.5 Copy of manual of operations.
- 5.6 Minutes of pre-commencement Board Meeting.
- 5.7 Evidence of installation of appropriate Information and Communication Technology facilities.
- 5.8 Copies of letter of offer and acceptance of employment in respect of Management Team.
- 5.9 Evidence of readiness of procedures and record keeping policies that will ensure an effective and efficient Management Information System (MIS).
- 5.10 Evidence of establishment of Standing Committees on
 - Risk Management and
 - Investment Strategy.
- 5.11 Evidence of readiness of the investment function including but not limited to the following:
 - Income and loss recognition policy,
 - Valuation procedures.
- 5.12 Copy of letter of appointment of a Compliance Officer in accordance with Section 68 of the Act.
- 5.13 Undertaking by each of the members of the Board and the top management to maintain high ethical standard and exercise due diligence and care in their conduct and avoid any conflict of interest at all times.
- 5.14 Undertaking by each of the members of the Board and the top management that the PFA shall not engage in any business other than the management of pension funds and assets at all times.
- 5.15 Undertaking by each of the members of the top management to ensure that the PFA observes high standard of integrity, professionalism and fairness in its operation as well as keep and maintain proper books and records at all times.

- 5.16 Attestation of willingness and capacity on the part of the PFA to comply with the provisions of the Pension Reform Act 2004 and PenCom's licensing and supervisory requirements and standards on a continuous basis.
- 6.0 Duly completed application form and supporting documents should be submitted in both hard and soft copies in sealed envelopes to the following address:
- Director-General
National Pension Commission
Plot 2774, Shehu Shagari Way
Maitama District
PMB 5170 Wuse
Abuja
- 7.0 All enquiries should be referred to the above address. The licensing requirements, other guidelines and relevant forms can be downloaded from PenCom's Website: ***www.pencom.gov.ng***.

NATIONAL PENSION COMMISSION
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