

CIRCULAR

REF: PENCOM/INSP/SURV/11/03

DATE: May 31, 2011

TO: All Pension Fund Administrators

SUBJECT: **MINIMUM SHARE CAPITAL REQUIREMENT FOR LICENSED PENSION FUND ADMINISTRATORS (PFA)**

The Commission has through its oversight function observed that the minimum paid up share capital of ~~N~~150 million was no longer adequate to meet the operational expenses of a PFA business given its intensive IT nature and an average gestation period of 5 years. The Commission had consulted with the pension industry for its input on the new minimum capital requirement for PFAs. The input of the pension industry and subsequent review by the Commission resulted in the presentation of a technical paper to the Board of PenCom on the issue.

This circular is therefore intended to intimate PFAs about the Commission's decision on the new minimum share capital requirements for a PFA business as follows:

1. A minimum shareholders' fund of ~~N~~1 billion unimpaired by losses has been approved. This amount is considered adequate to absorb unforeseen losses and improve the financial condition as well as business processes of the PFAs given the current market situation.

2. The increase in the minimum capital requirement would also encourage healthy mergers or acquisitions and promote stability in the industry. Furthermore, it is expected that the improved financial condition of the PFAs after the implementation of the reviewed capital requirement would lead to the following:
 - improved service delivery and products development resulting from automation (timely payments);
 - Improved capacity building and employment of qualified personnel;
 - Deployment of adequate IT Infrastructure for improved business process;
 - Creation of more business outlets for increased presence nationwide;
 - Stronger and more efficient Research units for optimum investment decisions; and
 - Improve data management and record keeping.
3. This circular shall take effect from 30 June, 2012.
4. The new minimum share capital requirement would subsequently be monitored by the Commission on an annual basis at the financial year end of each PFA and any shortfall shall be made up within 90 days.

All enquiries regarding this circular should be directed to the undersigned.

M. Y. Datti
Head, Surveillance Department