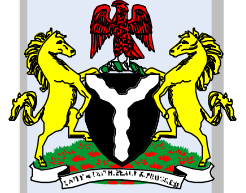


April 2017

PenCom



REGULATION ON INVESTMENT OF PENSION FUND ASSETS

www.pencom.gov.ng

National Pension Commission

About this Regulation

Section 1.0 Institutional Framework

Section 2.0 General Principles

Section 3.0 Authorized Markets

Section 4.0 Allowable Instruments.

Section 5.0 Quality of Instruments

Section 6.0 Conflict of Interest Issues

Section 7.0 Multi-Fund Structure

Section 8.0 Investment Limits

Section 9.0 Performance Benchmark

Section 10.0 Violation of Investment Limits

Section 11.0 Voting Rights

Section 12.0 Closed Pension Funds and Approved Existing Schemes

Section 13.0 Review

The requirements of this Regulation are consistent with the provisions of the Pension Reform Act, 2014. The purpose of the Regulation is to provide uniform rules and standards for the investment of pension fund assets.

REGULATION ON INVESTMENT OF PENSION FUND ASSETS

1.0 Institutional Framework

- 1.1 Pension Fund Custodians (PFCs) shall only take written instructions from licensed Pension Fund Administrator (PFAs) with respect to the PFAs investment and management of pension fund assets held in the custody of the PFCs on behalf of the Contributors.
- 1.2 The PFCs, in discharging their contractual functions to PFAs, shall not contract out the custody of pension fund assets to third parties, except for allowable investments made outside Nigeria. The PFC shall obtain prior approval from the Commission before engaging a global Custodian for such allowable foreign investments.
- 1.3 The PFAs, in discharging their contractual functions to Contributors, shall not contract out the investment/management of pension fund assets to third parties, except for open/close-end/hybrid funds and specialist investment funds allowed by this Regulation.
- 1.4 The PFAs shall maintain a Multi-fund Structure as provided in this Regulation, to govern the investment of pension fund assets of RSA Funds.
- 1.5 In addition to the requirements of other guidelines issued by the Commission on corporate governance, ethics and business practices, each PFA shall establish an Investment Strategy Committee as well as a Risk Management Committee, in compliance with Section 78 of the Pension Reform Act, 2014 (“the Act” or “PRA 2014”).

- 1.6 The Investment Strategy Committee, in addition to other functions specified in the Act, shall formulate internal investment strategies to enable compliance with this Regulation, taking into cognizance the macro-economic environment as well as the investment objectives and risk profile of the respective PFA Funds. The internal investment strategies shall be approved by the PFA in a formal Board Meeting at least once every year or as frequently as changes occur in the macro-economic environment that may affect pension fund assets.
- 1.7 The Risk Management Committee shall determine the acceptable risk profile of each investment portfolio, draw up risk assessment and measurement systems, monitor their portfolio against risk tolerance limits, as well as all other functions relating to risk management specified in the PRA 2014 and as may determined by the PFA's Board and the Commission, from time to time. The Risk Management Committee shall render a report of its activities to the PFA's Board and the Commission, at least once every quarter.
- 1.8 Each of the Committees in Sections 1.6 and 1.7 above shall have at least one Non-Executive Director with relevant skills and experience, as a member. In addition, an Independent Director shall chair the Risk Management Committee.
- 1.9 The Commission shall provide the necessary guidelines on the investment of Pension Fund Assets outside the territory of the Federal Republic of Nigeria as and when the need arises.
- 1.10 In this Regulation: -

‘Asset-Backed Securities’ (ABS) refers to Certificates, whether written or electronic in character, issued by a Special Purpose Vehicle (SPV) the repayment of which shall be derived from the cash flow of the pool of assets, in accordance with the terms and conditions of the transaction. Assets used in the term Asset-backed securities refer to loans receivable or other similar financial assets with an expected cash payment stream e.g. receivables, mortgage loans, leases etc.

‘**Bank**’ means a commercial or merchant bank licensed by the Central Bank of Nigeria.

‘**Commission**’ means the National Pension Commission, established under the Pension Reform Act (PRA) 2004, as amended.

‘**CPFA**’ means Closed Pension Fund Administrators licensed by the National Pension Commission.

‘**Eligible States and Local Governments**’ or ‘**Eligible Listed or Unlisted Corporate Entities**’ mean entities that are fully implementing the Contributory Pension Scheme (CPS), as confirmed by the Commission on its website.

‘**Exchange Traded Fund**’ (ETF) means a unit trust scheme or an open-ended investment company that issues unleveraged securities or units listed on a securities exchange recognized or registered by the Securities & Exchange Commission (SEC) in Nigeria and tracks the performance of specified securities or assets, which includes but is not limited to equities, basket of assets, indices, commodity prices, foreign currency rates or any other appropriate benchmark approved by SEC from time to time.

‘Margin Account’ means an account maintained with a lender, either a bank or broker, which records the buying and selling of securities by the bank or broker, for themselves or for their clients, through loans or credits.

‘Mortgage-Backed Securities’ (MBS) mean securities whose repayments shall be derived from the cash flows of real estate or real estate-related assets, in accordance with the terms and conditions of the transaction.

“Multilateral Development Finance Organizations’ (MDFOs) mean organizations formed between three or more nations to work on development issues that relate to all the countries in the respective organizations e.g. World Bank Group, African Finance Corporation, African Development Bank. Such eligible MDFOs must be approved by the Federal Ministry of Finance.

‘Non-Interest compliant instruments’ mean financial securities and specialist investment funds that comply with the provisions of Islamic Commercial Jurisprudence (Shariah) and any other established non- interest principles, as approved by the Advisory Council of Experts, or any other body, constituted by the SEC and/or CBN from time to time.

‘Pension Fund Assets’ mean pension assets under management and custody with Licensed Pension Operators.

‘PFA’ means Pension Fund Administrator licensed by the National Pension Commission.

'PFC' means Pension Fund Custodian licensed by the National Pension Commission.

'PRA 2014' means Pension Reform Act 2014.

'Primary Market' means a mechanism by which companies can raise fresh capital through the issuance of securities (e.g. shares and debentures, etc.) to the investing public.

"Private Equity Fund" means any designated pool of investment capital targeted at all stages of private equity investment from start-ups to large buy-outs, including those held by corporate entities, limited partnerships and other investment vehicles including Fund of Funds.

'Related Persons' or 'Related Parties' includes natural persons related by blood, adoption or marriage; legal entities one of which has control or significant influence over the other, or both of which are controlled by some other person or entity; a corporate entity where any of the aforementioned holds 5% or more beneficial interest; and any other relationship that can be reasonably construed as related persons or parties.

'Secondary Market' means a resale market where securities originally issued in the primary market are bought and sold.

"Securities" mean:-

(a) debentures, stocks, bonds or Sukuk issued or proposed to be issued

- by a government;
- (b) debentures, shares, bonds, Sukuk, or notes issued or proposed to be issued by a body corporate;
- (c) any right or option in respect of any such debentures, stocks, Shares, bonds, Sukuk, or notes.
- (d) commodities futures, contracts, options and other derivatives, and the term securities includes those securities in the category of the securities listed in (a) - (d) above which may be transferred by means of any electronic mode approved by SEC and which may be deposited, kept or stored with any licensed depository or custodian company as provided under the Investment & Securities Act 2007

‘Securities Exchange’ means an exchange or an approved trading facility as defined in Section 315 of the Investment and Securities Act (ISA) 2007.

‘State/Local Governments’ means all the State and Local Governments of the Federal Republic of Nigeria, including the Federal Capital Territory Administration (FCTA) and Area Councils in the FCT, which are listed in the Constitution of the Federal Republic of Nigeria, 1999.

‘Sukuk’ refers to investment certificates or notes of equal value which evidences undivided interest/ownership of tangible assets, usufructs and services or 351 SEC Rules; June 2013 investment in the assets of particular projects or special investment activity using Shariah principles and concepts approved by the SEC.

“Supra-national Bonds or Supranational Sukuk’ mean debt instruments issued by Multilateral Development Finance Organizations, of which Nigeria is a member and its membership approved by the Federal Ministry of Finance.

2.0 General Principles

- 2.1 PFAs shall invest pension fund assets with the objectives of ensuring safety and maintenance of fair returns.
- 2.2 By virtue of Section 10 (2) of the Pension Reform Act 2014, all interests, dividends, profits, investment and other incomes accruable to pension fund and assets shall not be taxable.
- 2.3 PFAs shall recruit and retain highly skilled personnel in their investment departments.
- 2.4 PFAs shall not invest Pension Fund Assets in instruments that are subject to any type of prohibitions or limitations on the sale or purchase of such instrument, except for open/close-end/hybrid funds and specialist investment funds allowed by this Regulation.
- 2.5 PFAs shall not trade on margin accounts with pension fund assets.
- 2.6 A PFA shall not engage in borrowing or lending of pension fund assets.
- 2.7 PFAs shall not trade in financial instruments with pension fund assets at prices that are prejudicial to the pension fund assets.
- 2.8 Pension fund assets shall only be invested in bonds, Sukuk or other debt instruments issued by eligible State/Local Governments and Corporate Entities that are fully implementing the Contributory Pension Scheme. The Commission shall publish on its website, from time to time, the lists of compliant State/Local Governments and Corporate Entities.

2.9 PFAs are to ensure that appropriate legal and financial due diligence are undertaken on all Prospectus/Offer Documents of all allowable instruments prior to investment.

2.10 The Commission attaches great importance to sound corporate governance practices in corporate entities or specialist investment funds seeking pension fund investments. Accordingly, PFAs must take into consideration the following issues, amongst others, in corporate entities or specialist investment funds in which pension fund assets are to be invested:

- i. Rules governing the Board of the corporate entity or Fund.
- ii. Ongoing disclosure rules of material events in the corporate entity or Fund.
- iii. Adequate disclosures of the financial condition of the corporate entity or Fund, as stated in the annual financial statements, which must be audited by an independent firm of chartered accountants registered with the Financial Reporting Council (FRC).

3.0 Authorized Markets

- 3.1 All primary market investments by PFAs in ordinary or preference shares of eligible corporate entities shall only be through public offerings approved by the Securities & Exchange Commission (SEC).
- 3.2 All primary market investments by PFAs in bonds, Sukuk, debenture and other debt instruments issued by eligible corporate entities shall be through public offering or private placement arrangements approved by SEC. PFAs may invest in bonds or Sukuk issued by publicly listed companies through private placement arrangements provided they fulfill the requirements in Section 5.2.2 of this Regulation.
- 3.3 All primary market investments by PFAs in participation units of Open, Close-End, Hybrid Investment Funds, including ETFs, and Specialist Investment Funds (REITs, Infrastructure Fund and Private Equity Fund) and other Non-interest compliant instruments shall be through public offering or private placement arrangement.
- 3.4 All secondary market trading of pension assets, shall take place on a securities exchange (local and off-shore) recognized by SEC or a trading facility recognized by the Central Bank of Nigeria (CBN).
- 3.5 Exceptions to paragraph 3.4 of this Regulation are applicable when;

- i. Trading with participation units of Open/Closed-end or Hybrid Investment Funds on the memorandum list of a securities exchange registered by SEC or a trading facility recognized by CBN; or Specialist Investment Funds (Infrastructure and Private Equity) and Non-Interest (Shariah) Compliant Investment Funds, registered by SEC.
- ii. Acquiring or trading in securities of an eligible Nigerian corporate entity, which are listed or quoted in an Offshore Securities Exchange.

4.0 Allowable Instruments

Pension fund assets shall be invested in the following allowable instruments:

- 4.1 Bonds, Sukuk, Treasury Bills, Global Depository Notes and other securities issued by the Federal Government of Nigeria and CBN or their agencies as well as Special Purpose Vehicles and Companies created/owned by the Federal Government of Nigeria, provided that the securities are guaranteed by the CBN or Federal Government of Nigeria.
- 4.2 Bonds and Sukuk issued by eligible State and Local Governments or State Government Agencies or wholly owned companies of the State Government, provided that such securities are fully guaranteed by Irrevocable Standing Payment Orders (ISPOs) or external guarantees by MDFOs with a minimum credit rating of 'A'.

- 4.3 Bonds, Sukuk, debentures, redeemable/ convertible preference shares and other non-interest compliant debt instruments issued by eligible listed and unlisted corporate entities; and Asset Backed Securities, including Mortgage Bonds, Mortgage-Backed Securities and Infrastructure Bonds / Sukuk. This includes debt securities issued by corporate entities and guaranteed by the Federal/State Governments.
- 4.4 Ordinary Shares of Public Limited Liability Companies listed or proposed to be listed through an Initial Public Offer (IPO), on a Securities Exchange registered by SEC.
- 4.5 Money Market Instruments of Banks and Commercial Papers issued by eligible corporate entities.
- 4.6 Open/ Close-ended/ Hybrid Investment Funds, including Exchange Traded Funds and Non-Interest Compliant Investment Funds, which are registered with SEC.
- 4.7 Specialist Investment Funds whose underlying assets are tangible physical assets These includes:
- i. Real Estate Investment Trusts (REITs) registered by SEC.
 - ii. Private Equity Funds registered with SEC.
 - iii. Infrastructure Funds registered with SEC.
- 4.8 Supranational Bonds and Supranational Sukuk issued by eligible MDFOs approved by the Federal Ministry of Finance.

- 4.9 Global Depository Receipts/Notes (GDRs/Ns) and Eurobonds issued by eligible Nigerian corporate entities as well as Naira-denominated Depository Receipts/Notes issued by Foreign companies and listed on a securities exchange that is a member of the World Federation of Exchanges (WFE).

5.0 Quality Requirements of Allowable Instruments

5.1 Rating Requirements

The following rating requirements shall apply:

- 5.1.1 All ratings shall be undertaken by rating agencies incorporated in Nigeria and registered with the Securities and Exchange Commission (SEC) or foreign rating agencies recognized by SEC.
- 5.1.2 Bonds and Sukuks issued by States, Local Governments, Corporate Entities as well as Infrastructure Bonds and other allowable debt instruments in which pension fund assets are to be invested, shall have a minimum credit rating of 'A' issued by, at least, two rating agencies, one of which must be a rating agency incorporated in Nigeria and registered with SEC.
- 5.1.3 Notwithstanding the provisions of Section 5.1.2, PFAs may invest a maximum of 20% of pension assets under management in Bonds and Sukuks issued by States, Local Governments, Corporate Entities as well as other allowable debt instruments, with credit rating of 'BBB'

issued by, at least, two rating agencies, one of which must be a rating agency incorporated in Nigeria and registered with SEC.

5.1.4 (i) Any bank in whose money market instruments pension fund assets are to be invested shall have a minimum credit rating of 'BBB' issued by, at least, two rating agencies, one of which must be a rating agency incorporated in Nigeria and registered with SEC.

(ii) Whilst for Commercial Papers, pension fund assets are to be invested, only if the issuer or issue satisfy the minimum requirements stipulated in the CBN Guidelines for Issuance and Treatment of Bankers' Acceptances and Commercial Papers as well as has a minimum credit rating of 'BBB' issued by, at least, two rating agencies, one of which must be a rating agency incorporated in Nigeria and registered with SEC.

5.1.5 Any Eurobond issued by an eligible Nigerian Corporate Entity, in which pension fund assets are to be invested, shall have a credit rating not lower than the sovereign rating of Nigeria, at the time of issuance, by a SEC-recognised rating agency.

5.1.6 Bond, Sukuk and other allowable debt instruments issued by eligible MDFOs in which pension fund assets are to be invested, shall have a minimum credit rating of 'A' issued by a SEC- recognised rating agency.

5.1.7 The minimum rating specified above shall be maintained throughout the tenor of the investments.

- 5.1.8 In the event of two rating agencies giving different rating grades on a particular instrument, issue or issuer, the lower rating grade shall apply, for the purpose of determining the relevant maximum investment limit.
- 5.1.9 At the expiration of the specified ratings above, the pension fund may retain such investment for a maximum of 6 months after the expiration.
- 5.1.10 If at any time an existing investment is no longer authorized as a result of credit rating downgrade, resulting in a new rating that is not more than one grade below the stipulated minimum, the pension fund may retain such investment to maturity.
- 5.1.11 If at any time an existing investment is no longer authorized, as a result of either a credit rating withdrawal or a credit rating downgrade by more than one grade or for any other reason, the PFA shall forward its exit strategy to the Commission within 10 working days.
- 5.1.12 PFAs shall not rely only on ratings assigned by Rating Companies, as they are only complementary to PFAs internal due diligence and analysis, before investment in any instrument or issuer.

5.2 Other Quality Requirements

5.2.1 Pension Fund Assets can be invested in **bonds**, Sukuk, and other debt instruments issued by any State/Local Government or its agencies or wholly-owned companies of the government as stipulated in Section 2.8 of this Regulation, provided that such securities:

- i. Are approved by SEC.
- ii. Meet the rating requirements in Section 5.1
- iii. Have sinking funds that are backed by legislation as well as Irrevocable Standing Payment Orders (ISPOs) or external guarantee by a MDFO with a minimum credit rating of 'A' issued by a SEC-recognised Rating Agency.
- iv. Without prejudice to Section 4.2 and 5.2.1(iii), where the bond/debt instrument is not backed by ISPOs, it shall have a sinking fund backed by legislation and an Irrevocable Letter of Guarantee of Repayment of the instrument, supported with adequate Internally Generated Revenue and a trust arrangement with a reputable Trustee registered with SEC.
- v. Are currently traded or are trade-able on a securities exchange registered by SEC or trading facility recognized by CBN.

5.2.2 Pension Fund Assets can be invested in bonds, sukuks, debentures, redeemable/convertible preference shares and other debt instruments issued by corporate entities, subject to the following conditions:

- i. They have been duly issued.
- ii. They meet the rating requirements in Section 5.1
- iii. They have clearly defined term/maturity features, periodic and terminal payout.
- iv. Where such securities have any embedded options e.g. call option, put option etc, they must be clearly stated in the offer document/prospectus.
- v. The securities are to be listed on a securities exchange registered by SEC or tradable on any trading facility approved by the Central Bank of Nigeria.

5.2.3 Pension Fund Assets can be invested in infrastructure projects through eligible bonds, Sukuk, subject to the following requirements:

- i. Any infrastructure project to be invested in, shall be:
 - a.) a minimum of N5 billion in value.
 - b.) awarded to a concessionaire with good track record through an open and transparent bidding process in accordance with the due process requirements set out in the Infrastructure Concession and Regulatory Commission Act (ICRC Act) and any regulation made pursuant thereto and certified by the

Infrastructure Concession and Regulatory Commission (ICRC) and approved by the Federal Executive Council (FEC).

- c.) core infrastructure projects, whose business plans and financial projections indicate that they are viable as well as economically and financially rewarding for investment by pension funds.
- ii. The bonds or sukuks issued to finance the infrastructure project shall in addition to the requirements of Section 5.2.2 above:
- a.) have robust credit enhancements e.g. guarantees by the Federal Government or eligible MDFOs;
 - b.) have a maturity date that precedes the expiration of the concession; and
 - c.) have a feasible and enforceable redemption procedure in the event of project suspension, cancellation or, in the case of regulated sectors, when changes in regulatory or policy decisions make the project to differ significantly from its original financial projections.
- iii) Where infrastructure projects are financed through Infrastructure Funds, pension fund investments shall be subject to the following additional requirements:
- a.) The value of the Infrastructure Fund shall not be less than N5billion.

- b.) The Infrastructure Fund shall have well defined and publicized investment objectives and strategy as well as disclosures of pricing of underlying assets, including any other necessary information.
- c.) All annual financial statements of the Fund shall be audited by independent firm(s) of chartered accountants registered by the Financial Reporting Council (FRC).
- d.) The Infrastructure Fund shall have satisfactory pre-defined liquidity/exit routes such as IPO, sale to other Infrastructure Funds, Trade sale, sale to a strategic investor etc.
- e.) The Funds shall be managed by experienced Fund Managers, versed in infrastructure financing and registered with the SEC as Fund Managers.
- f.) A minimum of 60% of the Infrastructure Fund shall be invested in projects within Nigeria.
- g.) The key Principals, namely the Chief Executive Officer (CEO) and Chief Investment Officer (CIO), of the Fund Manager shall each have at least ten (10) years relevant and continuous experience in infrastructure financing or investment management.
- h.) The key Principals shall not exit the Fund without prior notice to the PFAs, which shall not be less than 90days from the exit date. This 'exit clause' shall be expressly stated as a condition in the investment agreement/ covenant between the PFA and the Fund Manager.

- i.) Where an Infrastructure Fund does not have an eligible Sovereign Wealth Fund and/or MDFO as Limited Partners but the Fund Manager has a minimum Investment Manager rating of 'BBB' issued by, at least, two rating agencies registered or recognized by SEC, the Fund Manager shall retain a minimum investment of 3% of the Infrastructure Fund.
- j.) Where the Infrastructure Fund has an eligible Sovereign Wealth Fund and/or Multilateral Development Finance Organization as Limited Partners, the Fund Manager shall retain a minimum of 1% of the Infrastructure Fund.
- k.) The Fund shall have an Advisory Board with independent representatives of Limited Partners, being in majority.
- l.) Prior to investment as well as during the tenor of investment in any Infrastructure Fund, PFAs are to ensure that the above-mentioned Advisory Board has responsibility over audit functions regarding transactions with parties related to the Fund Manager and compliance with the Fund's investment guidelines and policies.

5.2.4 Pension fund assets can only be invested in ordinary shares of public limited companies based on the following conditions:

- i. the issuing companies' shares are listed/quoted on a securities exchange registered by SEC or proposed to be listed/quoted through an IPO.

- ii. the public limited liability company has an operating track record of having made taxable profits for, at least, three out of the five years preceding the investment; and paid dividends or issued bonus shares for at least two out of the five years.

- iii. Pension fund investments may be made in a newly established quoted company that evolved as a result of merger, acquisition or any other combination arrangement of existing corporate entities, subject to the condition that, at least, one of the erstwhile companies had satisfied the minimum quality requirements for investment in ordinary shares, stated in 5.2.4 (i) & (ii) above.

5.2.5 Pension Fund Assets can be invested in the money market instruments of banks and commercial paper of corporate entities, based on the following conditions:

- i. The bank or corporate entity shall meet the rating requirements in Section 5.1.4.

- ii. In the case of Bankers Acceptances (BAs) issued on behalf of a third party, they shall carry the full guarantee of the bank.

- iii. Where the investment is in a Non-Interest Compliant money market instrument, it shall be in compliance with the CBN's guidelines for the regulation & supervision of institutions offering non-interest financial services.

- iv. Where the investment is in a Commercial Paper (CP), it shall be in compliance with the CBN's guidelines on the issuance and treatment of BAs and CPs.

5.2.6 Pension Fund assets of RSA Funds under management with PFAs shall not directly invest in Real Estate; as investments shall only be through instruments such as Mortgage Backed Securities (MBS), Real Estate Investment Trusts (REITS) and similar Non-Interest Compliant Instruments. However, CPFAs and Approved Existing Schemes that operate Defined Benefit Schemes are allowed to directly invest in Real Estate, subject to Guidelines issued by the Commission from time to time.

5.2.7 Such MBS in Section 5.2.6 above shall satisfy the following requirements:

- i. Meet the rating requirements in Section 5.1
- ii. The face value of the Issue is not less than ₦1 billion.
- iii. The market value of the mortgages securitizing the issued MBS shall not be lower than the ratio 1.3:1. Any shortfall in the value of the collateral can be made up by FGN Securities, with face value not exceeding 25% of the MBS.
- iv. They are trade-able on a securities exchange registered by SEC.
- v. The Promoters/Originators shall retain a minimum percentage of the Issue, as determined by SEC Rules, which shall be maintained throughout the tenor of the issue.
- vi. Make full disclosure of information on the MBS to investors including corporate governance standards, annual valuation reports of underlying pool of assets backing the securities, and any other

information necessary for assessing inherent risks in each investment, including issues of title to land and properties.

5.2.8 Such REITs in Section 5.2.6 shall satisfy the following requirements:

- i. Meet the rating requirements in Section 5.1. However, where it is an Initial Public Offer, the Fund Manager shall have a minimum Investment Manager rating of 'BBB'.
- ii. The Principal Officers of the Fund Manager, namely, the Chief Executive Officer and Chief Investment Officer shall each have a minimum of 10 years relevant investment management experience or relevant project management experience, five years of which must have been in senior management positions.
- iii. The face value of the issue is not less than ~~₦~~1 billion.
- iv. The Prospectus shall specifically state that the securities shall subsequently be listed or have memorandum listing on a registered or recognized Securities Exchange within a stipulated period.
- v. The Promoters shall retain a minimum of 5% of the Fund, subject to SEC Rule, issued from time to time.
- vi. Make full disclosure of information on the Fund to investors, including corporate governance standards, annual valuation reports of underlying assets and any information necessary for assessing inherent risks in each investment, including issues of title to land and properties.

5.2.9 Pension Fund Assets can be invested in Asset Backed Securities (ABS), if the issuer and the securities meet the requirements stipulated in Section 5.2.7 above.

5.2.10 Pension Fund Assets can be invested in the investment certificates of Open, Closed-End or Hybrid Investment Funds, including Indexed/Exchange Traded Funds (ETFs), and similar Non-Interest compliant instruments, based on the following criteria:

- i. The Fund is approved and registered by SEC.
- ii. The Fund has memorandum listing on a Securities Exchange registered by SEC.
- iii. The Promoters shall retain a minimum percentage of the Fund, subject to SEC Rules. This shall however not apply to Open-end Funds.
- iv. The Principals managing the Funds, namely, the Chief Executive Officer and Chief Investment Officer shall each have a minimum of 10 years relevant and continuous investment management experience, five years of which must have been in senior management positions.
- v. There are full disclosures of information on the Fund to investors including investment and risk management strategies, corporate governance standards, yearly audited financial statements, amongst others.

vi. Where it is an ETF:

- a.) The Sponsor and Fund Manager are recognized or registered with SEC.
- b.) It shall be listed and trade-able on a Securities Exchange registered by SEC.
- c.) The Fund Manager shall possess the relevant expertise to issue the ETF as well as establish and maintain a secondary market for the issuance.
- d.) The underlying Index, basket of securities or physical assets whose performance the ETF intends to track shall be clearly stated in the prospectus/offer document.
- e.) The underlying securities or assets of the ETF shall be held in a Custody arrangement or Depository Account approved or recognized by SEC.

5.2.11 Pension Fund Assets can be invested in Private Equity Funds subject to the following requirements:

- i. The Fund shall have well defined and publicized investment objectives and strategy as well as disclosures of pricing of underlying assets; annual financial statements audited by independent firm(s) of chartered accountants registered by Financial Reporting Council (FRC); and any other necessary information.

- ii. The PE Fund Vehicle shall have satisfactory pre-defined liquidity/exit routes such as Initial Public Offers; Dividends; Sale to industry buyers; and use of buy-out instruments in investing in the underlying companies or projects.
- iii. The Funds shall be managed by experienced Fund Managers, versed in PE investments and registered with the Securities and Exchange Commission (SEC) as Fund Managers.
- iv. The key Principals of the Fund Manager shall each have at least ten (10) years experience in investment and management of third party assets, or relevant project management experience in sectors of the economy in which the PE Fund shall invest, out of which five years shall be PE investment experience.
- v. The key Principals shall not exit the Fund without prior notice, of not less than 90 days, to the Commission through the PFA; and this 'exit clause' shall be expressly stated as a condition in the investment agreement/ covenant between the PFA and the Fund Manager.
- vi. Where a PE Fund does not have globally known Foundations & Endowments, MDFOs or Sovereign Wealth Funds (SWFs) as Limited Partner, but the Fund Manager has a minimum Investment Manager rating of 'BBB' issued by, at least two rating agencies registered or recognized by SEC, the Fund Manager shall retain a minimum investment of 3% of the PE Fund.

- vii. However, where there are globally known Foundations & Endowments, MDFOs or SWFs as Limited Partners in the Fund or any other Pan-African /Multi-country PE Fund being managed by the Fund Manager, the Fund Manager shall retain a minimum investment of 1% of the PE Fund.
- viii. Such globally known Foundations and Endowments, as stated in sub sections (vi) and (vii) above, must have been in existence for a minimum of 10 years and have a fund size of not less than US\$1 Billion as confirmed from its audited annual financial statements.
- ix. A minimum of 60% of the Fund shall be invested in companies or projects within Nigeria.
- x. The Fund shall have an Advisory Board with representatives of Limited Partners being in the majority.
- xi. PFAs are to ensure at all times that the above-mentioned Advisory Board has responsibility over audit functions regarding transactions with parties related to the Fund Manager and the Fund's internal investment guidelines and policies.

5.2.12 Pension Fund Assets can only be invested in Bonds or Sukuks issued by MDFOs if:

- i. The bonds/debt instruments meet the rating requirements in Section 5.1.

- ii. The issue is approved by the CBN and/or SEC.
- iii. A minimum of 60% of the proceeds are utilized for projects within Nigeria.
- iv. The amount on issue shall not be less than N5 billion.

5.2.13 Pension Fund Assets may be invested in Global Depository Receipts/Notes (GDRs/GDNs), Eurobonds and Naira-denominated Depository Receipts/Notes. However, the following minimum qualifying requirements shall apply:

- i. GDN and Eurobond instruments issued and guaranteed by the Federal Government of Nigeria, shall be eligible for pension fund investments.
- ii. Issuers of eligible GDRs, GDNs and Eurobonds, which are eligible Nigerian corporate entities shall be registered and operating in Nigeria, as evidenced by current relevant tax filings and other regulatory filings with the Corporate Affairs Commission and any relevant supervisory regulatory agencies. In situations where off-shore subsidiaries are the issuing entities of the GDNs and Eurobonds, they must be wholly owned subsidiaries with the full obligations of the borrowing underwritten by their parent companies who must be Nigerian corporate entities which are registered and operating in Nigeria, as evidenced by current relevant tax filings and other regulatory filings with the Corporate Affairs Commission and any relevant supervisory regulatory agencies.

- iii. To qualify as an eligible instrument for investment by PFAs, the GDR, GDN or Eurobond issuances shall, obtain necessary regulatory approvals from the country where the instruments are to be issued.
- iv. Where the instrument is a Naira-denominated Depository Receipt / Note, it shall be approved by SEC and meet other relevant SEC Rules.
- v. Pension fund investments in GDRs, GDNs, Eurobonds and Naira-denominated Depository Receipts/Notes shall be appropriately classified as follows:

S/N	Issuer	Instrument	Underlying Asset Class
1	Federal Government of Nigeria	Eurobond	FGN Securities
2	Corporate Entity	Eurobond	Corporate Debt Securities
3	Corporate Entity	GDR / Naira Denominated Depository Receipts	Ordinary Shares
4	Corporate Entity	GDN / Naira Denominated Depository Notes	Corporate Debt Securities

vi. The following items shall be the minimum information to be disclosed in the portfolio valuation reports by PFAs:

a.) Global Depository Receipts (GDR) and Naira-denominated Depository Receipts (DR).

- The number of underlying shares which represent one Unit of the GDR or Naira-denominated DR
- The number of Units held as at each reporting date.
- The total purchase cost of the Units held.
- Daily market price of a Unit.
- Market Value of total Units held (GDRs - in foreign currency).
- Where it is a GDR, the market value of total Units held (in Naira), converted at the Central Bank of Nigeria (CBN) official rate or any other rate advised by the CBN, as at reporting date.

b.) Global Depository Notes, Naira-denominated Depository Notes and Eurobonds (including Sukuk).

- The units of the underlying bonds which represents one unit of the GDN/Naira-denominated Depository Notes (DN) or Face Value of the Eurobond.
- Tenor and Maturity Date of the Issue.
- Coupon Rate.
- The number of Units of Issue held.

- The total purchase cost of the Units held.
 - Market Value of Total Units in GDN held (in foreign currency).
 - Market Value of Total Units held (in Naira), converted at the CBN official rate as at reporting date.
- vii. The following maximum investment limits shall apply:
- a.) Portfolio Limit: PFA's total investment in all issued GDRs, GDNs, Naira-denominated DRs/DNs and Eurobonds shall not be more than 10% of the portfolio value of the pension fund in the RSA Fund.
 - b.) Per Issuer Limit: A maximum of 5% of pension fund assets under management may be invested in all GDRs, GDNs, Naira-denominated DRs/DNs and Eurobonds issued by any one corporate entity.
 - c.) Per Issue Limit: Pension fund assets may be invested in the GDRs, GDNs, Naira-denominated DRs/DNs and Eurobonds issued by any corporate entity, subject to a maximum limit of 2.5% of each issue.
- viii. The following settlement and custody arrangements shall apply, subject to prior approval by the Commission before execution:
- a.) PFCs may be required to establish accounts with Euroclear, Clearstream, the Depositary Trust Company ("DTC") or any appropriate offshore clearing platform, in order to ensure ability to provide a comprehensive and robust settlement platform for PFA transactions in GDRs, GDNs and Eurobonds.

- b.) The accounts opened with Euroclear, Clearstream, DTC or any appropriate clearing platform would work in similar manner as the Central Securities Clearing System (“CSCS”) used for trading domestic securities in the Nigerian market, where each PFC will maintain sub-accounts for each PFA and will hold and trade all securities related to each PFA from their respective sub-accounts.
- c.) Alternatively, PFCs can enter into settlement and sub-custody arrangements with Trustee/Nominee Companies in Nigeria that are registered with SEC and have professional arrangement with a global Custodian Bank or member of Euroclear, Clearstream, DTC etc.
- d.) PFAs should refer to the CBN Foreign Exchange Guidelines from time to time on how to convert their naira investment funds into the requisite foreign currency amount which they will require to effect an investment in GDRs, GDNs or Eurobonds.

6.0 Conflict of Interest Issues

6.1 The PFA or any of its agents are prohibited from investing Pension Fund Assets in the shares or any other securities, issued through public or private placement arrangements, by the following:

- i. A Pension Fund Administrator.
- ii. A Pension Fund Custodian.

- iii. A shareholder, director or related party/person of the PFA or PFC holding Pension Fund Assets on its behalf.
 - iv. Related party/person of any shareholder of the PFA.
 - v. An employee of the PFA.
 - vi. The spouse or any relationship with persons referred to in (iii) to (v) of this paragraph that can be reasonably construed as a related person.
- 6.2 Exception to Section 6.1 shall only be in the case of PFA's investment in short-term money market instruments of an affiliate bank of the PFA or the PFC holding pension fund assets on its behalf.
- 6.3 The PFA or any of its agents shall not sell Pension Fund Assets to the following:
- i. Itself.
 - ii. A Pension Fund Custodian
 - iii. Any shareholder, director or related party/person of the PFA or PFC holding pension fund assets on its behalf.
 - iv. Related party/person of any shareholder of the PFA.
 - v. Any employee of the PFA.

vi. The spouse or any relationship with persons referred to in (iii) to (v) of this paragraph that can be reasonably construed as a related person.

vii. The PFC holding Pension Fund Assets to the order of the PFA.

6.4 The PFA or any of its agents shall not:

i. Apply Pension Fund Assets under its management by way of loans and credits, or as collateral for any loan taken by any person.

ii. Divulge or utilize confidential information regarding pension fund investment decisions for any personal, corporate or related benefit.

6.5 A PFA shall transact not more than 30% of its total trades in equities (purchases and sales valued in Naira terms) in a calendar year, with broker firms that are related parties to the PFA, its Directors, and Shareholders.

6.6 Similarly, a PFA shall transact not more than 30% of its total trades in debt instruments (purchases and sales valued in Naira terms) in a calendar year, with broker dealer firms that are related parties to the PFA, its Directors, and Shareholders.

6.7 The Commission shall monitor compliance by PFAs of the provisions of Sections 6.5 and 6.6 on a quarterly basis.

6.8 Members of the Board, Chief Executive Officer and Chief Investment Officer of PFAs shall abstain from taking investment decisions in which they have conflicts of interest.

6.9 The Board Risk Management Committee shall develop a framework that would review Conflict of Interest issues and render quarterly reports to the Commission. The reports shall contain, amongst other necessary information, the nature of all conflict of interest issues and transactions concerning related persons within the period; values of such transactions; treatment of such issues/transactions; resolutions/decisions taken; and follow up actions, if any

7.0 Multi-Fund Structure for RSA Funds

The following principles shall guide the operation and implementation of Multi-fund Structure by PFAs for RSA Funds.

- 7.1 All PFAs shall offer the Multi-fund Structure for the RSA Fund.
- 7.2 There shall be a transition period of 6 months, effective from the commencement date of the Multi-Fund Structure for all PFAs to restructure their respective portfolios.

7.3 Fund Types

The Multi-fund Structure shall comprise Fund I, Fund II, Fund III and Fund IV (Retiree Fund). Funds I, II, III and IV shall however differ among themselves according to their overall exposure to variable income instruments.

- 7.3.1 The exposure to variable income instruments is defined as the sum of a PFA's investments in Ordinary Shares and participation units of Open Close-ended and Hybrid Funds; Real Estate Investment Trust; Infrastructure Funds; and Private Equity Funds comprising its current holdings and any future financial commitments to the acquisition of participation units in these Funds.
- 7.3.2 In line with 7.3(a) above, the maximum exposure to variable income instruments by the Fund Types, are as follows:

Fund I: 75% of Portfolio Value

Fund II: 55% of Portfolio Value
Fund III: 20% of Portfolio Value
Fund IV: 10% of Portfolio Value

7.3.3 PFAs are also expected to invest in such a way that the actual exposure to variable income instruments in Fund I is higher than the exposure in Fund II. Likewise, the exposure in Fund II shall be higher than the exposure in Fund III. Accordingly, the minimum exposure to variable income instruments by Fund Type shall be:

Fund I:	20%
Fund II:	10%
Fund III:	5%
Fund IV:	0%

7.3.4 Following from Section 7.3.3 above, Fund I and Fund II shall each have a minimum of 2.5% of pension fund assets under management invested in alternative assets, namely Infrastructure, Private Equity and Real Estate (Housing).

7.4 Default Mechanism

Effective from the date of implementation of the Multi-fund Structure, the PFAs shall allocate contributors to various Fund Types according to the following criteria:

- i. Membership of Fund I shall strictly be by formal request by a Contributor.

- ii. Active Contributors who are 49 years and below as at their last birthdays shall be assigned to Fund II.
- iii. Active Contributors who are 50 years and above as at their last birthdays shall be assigned to Fund III.
- iv. Fund IV shall **strictly** be for RSA retirees only.

7.5 Active Choices

Subsequent to the implementation of the Multi-fund Structure, contributors are allowed to choose the Type of Fund in which they desire to be. However, the following rules shall apply:

- i. An active Contributor in Fund II who wishes to be assigned to Fund I shall make a formal request to the PFA.
- ii. An active Contributor in Fund III who wishes to be assigned to Fund II shall make a formal request to the PFA.
- iii. An RSA Retiree or active Contributor who is 50 years and above shall not be allowed to choose Fund I.

7.6 Transfers between Fund Types within a PFA

- i. An active Contributor may, subject to a formal application made to the PFA, switch from one Fund Type to another Fund Type within a given PFA, once in 12 months without paying any fees.

- ii. Any additional requests for switches among Funds within a PFA by the active Contributor shall attract a fee, of an amount not less than a minimum value, to be determined by the Commission from time to time.

8.0 Investment Limits

This Section stipulates the maximum investment limits under the Multi-fund Structure.

- 8.1 Not more than 10% of the total pension assets under management aggregated in all the RSA Funds, shall be invested in all securities (equity, money market and debt) issued by a corporate entity.
- 8.2 A PFA may invest the pension fund assets of any one Fund in the ordinary shares of a listed/quoted company, subject to a maximum limit of 4.5% of the issued share capital; and for the four Funds (Funds I, II, III & IV), an aggregate global limit of 10% of the issued share capital of the listed/quoted company.
- 8.3 PFAs shall ensure that not more than 45% of pension assets under its management are directly or indirectly invested in any one sector of the Nigerian economy.
- 8.4 For the purposes of Section 8.3 of this Regulation:
 - i. Sectors are as classified by the Nigerian Stock Exchange (NSE).

ii. Direct investment to a given sector consists of all securities issued by corporate entities operating in that sector.

iii. Indirect investment to a given sector consists of pension fund investments in eligible Specialist Investment Funds which are invested in that sector.

8.5 The overall maximum Investment Limits for Funds I, II, III and IV shall therefore be as follows:

FUND I

	ASSET CLASS	GLOBAL LIMIT	PER ISSUER LIMIT	PER ISSUE LIMIT
1	Government Securities (including Sovereign Bonds, GDNs, Sukuk, Mortgage	FGN & CBN Securities: 60%	i. FGN Bond: Not Applicable ii. Maximum of 5% of pension fund assets in total issues of FGN Eurobond.	i. FGN Bond: Not Applicable. ii. Maximum of 2.5% of each issue of FGN Eurobond.

	ASSET CLASS	GLOBAL LIMIT	PER ISSUER LIMIT	PER ISSUE LIMIT
	Bonds and Eurobonds)	<p>State and Local Governments:</p> <p>i. 10%, if issue is backed by ISPOs/ Guarantees, as stipulated in Section 4.2.</p> <p>ii. 3%, if issue is not backed by ISPOs/ Guarantees, as stipulated in Section 4.2.</p>	Maximum of 5% of pension assets under management in total issues of any one State or Local Government.	<p>Based on the credit rating of the bond/debt instrument thus:</p> <p>i)Rating of BBB: 16% of the issue</p> <p>ii)Rating of A: 20% of the issue</p> <p>iii)Rating of AA & above: 25% of the issue</p>
2	Corporate Debt Securities (including Sukuk, ABS, MBS, GDNs, Eurobond and Infrastructure Bonds)	35%, subject to a maximum of 15% in Infrastructure Bonds.	Maximum of 7.5% of pension assets under management in total issues of any one corporate entity.	<p>I) Based on the credit rating of the bond/ debt instrument thus:</p> <p>i)Rating of BBB: 20% of the issue</p> <p>ii) Rating of A: 25% of the issue</p> <p>iii)Rating of AA & above: 30% of the issue</p>

	ASSET CLASS	GLOBAL LIMIT	PER ISSUER LIMIT	PER ISSUE LIMIT
				II) Maximum of 2.5% of the GDN/Eurobond.
3	Supra-national bonds/Sukuk	20%	Maximum of 5% of pension assets under management in total issues of any one multilateral development finance organization.	Based on the credit rating of the bond/debt instrument thus: i. Rating of “BBB”: 20% of the issue ii. Rating of “A”: 25% of the issue iii. Rating of “AA & above”: 30% of the issue
4	Money Market Instruments (including Certificates of Deposits; Bankers Acceptances; and Commercial	30%	Maximum investment of pension assets in all money market instruments issued by any one bank shall be subject to the issuer’s credit	Applicable to Commercial Paper issues Only. Based on the credit rating of the corporate entity issuing the

	ASSET CLASS	GLOBAL LIMIT	PER ISSUER LIMIT	PER ISSUE LIMIT
	Paper of corporate entities)		<p>rating thus:</p> <p>i. Rating of “BBB”: 3% of value of pension assets</p> <p>ii. Rating of “A”: 5% of value of pension assets</p> <p>iii. Rating of “AA” & above: 7.5% of value of pension assets</p> <p>II. For Commercial Paper, maximum of 5% of value of pension assets may be invested in total issues of any one corporate entity with a minimum rating of ‘A’.</p>	<p>Commercial Paper thus:</p> <p>i. Rating of BBB: 16% of the issue</p> <p>ii. Rating of “A”: 20% of the issue</p> <p>iii. Rating of “AA & above”: 25% of the issue</p>
5	Ordinary Shares (including	30%	Maximum of 7.5% of value of pension	I) Maximum of 4.5% of the issued capital

	ASSET CLASS	GLOBAL LIMIT	PER ISSUER LIMIT	PER ISSUE LIMIT
	GDRs)		assets in any one corporate entity.	of any one listed/quoted company. II) Maximum of 2.5% of the value of the GDR issued.
6.	Infrastructure Funds	10%	Maximum of 5% of value of pension assets to any one issuer.	Maximum of 20% of the value of any one Fund
7	Private Equity Funds	10%	Maximum of 5% of value of pension assets to any one issuer.	Maximum of 20% of the value of any one Fund.
8	Open, Close-end and Hybrid Funds (including REITs and ETFs)	25%	Maximum of 10% of value of pension assets to any one issuer.	Maximum of 10% of any one Fund.

FUND II

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
1	Government Securities (including Sovereign Bonds, GDNs, Sukuk, Mortgage Bonds, and Eurobonds)	FGN & CBN Securities: 70%	i) FGN Bond: Not Applicable ii) Maximum of 5% of pension fund assets in total issues of FGN Eurobond.	i) FGN Bond: Not Applicable ii) Maximum of 2.5% of each issue of FGN Eurobond.
		State and Local Governments i. 15%, if issue is backed by ISPOs/ Guarantees, as stipulated in Section 4.2. ii.3%, if issue is not backed by ISPOs/ Guarantees, as stipulated in Section 4.2.	Maximum of 5% of pension assets under management in total issues of any one State or Local Government.	Based on the credit rating of the bond/debt instrument thus: i)Rating of BBB: 16% of the issue ii)Rating of A: 25% of the issue iii)Rating of AA & above: 30% of the issue
2	Corporate Debt Securities (including	40%, subject to a maximum of 20% in Infrastructure	Maximum of 7.5% of pension assets under management	Based on the credit rating of the bond/ debt instrument thus: i)Rating of BBB: 20%

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
	Sukuk, ABS, MBS, GDNs, Eurobonds & Infrastructure Bonds)	Bonds.	in total issues of any one corporate entity.	of the issue ii) Rating of A: 25% of the issue iii) Rating of AA & above: 30% of the issue II) Maximum of 2.5% of each GDN/Eurobond issue.
3	Supra-national Bonds/ Sukuk	20%	Maximum of 5% of pension assets under management in total issues of any one multilateral development finance organization.	Based on the credit rating of the bond/ debt instrument thus: i. Rating of “BBB”: 20% of the issue ii. Rating of “A”: 25% of the issue iii. Rating of “AA & above”: 30% of the issue
4	Money Market Instruments (including Certificates of Deposits; Bankers	30%	I. Maximum investment of pension assets in all money market instruments issued by any one bank	Applicable to Commercial Paper issues Only. Based on the credit rating of the

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
	<p>Acceptances; and Commercial Paper of corporate entities)</p>		<p>shall be subject to the issuer’s credit rating thus</p> <p>i. Rating of “BBB”: 3% of value of pension assets</p> <p>ii. Rating of “A”: 5% of value of pension assets</p> <p>iii. Rating of “AA” & above: 7.5% of value of pension assets</p> <p>II. For Commercial Paper, maximum of 5% of value of pension assets may be invested in total issues of any one corporate entity with a minimum rating of ‘A’.</p>	<p>corporate entity issuing the Commercial Paper thus:</p> <p>i. Rating of “BBB”: 16% of the issue</p> <p>ii. Rating of “A”: 20% of the issue</p> <p>iii. Rating of “AA & above”: 25% of the issue</p>

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
5	Ordinary Shares (including GDRs)	25%	Maximum of 5% of value of pension assets in any one corporate entity.	I) Maximum of 4.5% of issued capital of any one listed/quoted company. II) Maximum of 2.5% of the value of GDR issued.
6.	Infrastructure Funds	5%	Maximum of 5% of value of pension assets to any one issuer.	Maximum of 20% of the value of any one Fund
7	Private Equity Funds	5%	Maximum of 5% of value of pension assets to any one issuer.	Maximum of 20% of the value of any one Fund
8	Open, Close-end and Hybrid Funds (including REITs and ETFs)	20%	Maximum of 5% of value of pension assets to any one issuer.	Maximum of 10% of any one Fund.

FUND III

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
1	Government Securities (including Sovereign Bonds, GDNs, Sukuk, Mortgage Bonds and Eurobonds)	FGN & CBN Securities: 80%	i) FGN Bond: Not Applicable ii) Maximum of 5% of pension fund assets in total issues of FGN Eurobond.	i) FGN Bond: Not Applicable ii) Maximum of 2.5% of each issue of FGN Eurobond.
		State and Local Governments i.20%, if issue is backed by ISPOs/ Guarantees, as stipulated in Section 4.2. ii.)3%, if issue is not backed by ISPOs/ Guarantees, as stipulated in Section 4.2.	Maximum of 7.5% of pension assets under management in total issues of any one State or Local Government.	Based on the credit rating of the bond/debt instrument thus: i) Rating of BBB: 20% of the issue ii) Rating of A: 25% of the issue iii) Rating of AA & above: 30% of the issue
2	Corporate Debt Securities	45%, subject to a maximum of 20%	Maximum of 5% of pension assets	D) Based on the credit rating of the bond/

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
	(including ABS, MBS, Sukuk, Infrastructure Bonds, GDNs and Eurobonds)	in Infrastructure Bonds	under management in total issues of any one corporate entity.	debt instrument thus: i) Rating of BBB: 16% of the issue ii) Rating of A: 20% of the issue iii) Rating of AA & above: 25% of the issue. II) Maximum of 2.5% of each issue of GDN/Eurobond.
3	Supra-national Bonds/Sukuk	20%	Maximum of 5% of pension assets under management in total issues of any one multilateral development finance organization.	Based on the credit rating of the bond/debt instrument thus: i. Rating of “BBB”: 20% of the issue ii. Rating of “A”: 25% of the issue iii. Rating of “AA & above”: 30% of the issue

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
4	Money Market Instruments (including Certificates of Deposits; Bankers Acceptances; & Commercial Paper of corporate entities)	35%	<p>I. Maximum investment of pension assets in all money market instruments issued by any one bank shall be subject to the issuer's credit rating thus:</p> <p>i. Rating of "BBB": 3% of value of pension assets</p> <p>ii. Rating of "A": 5% of value of pension assets</p> <p>iii. Rating of "AA" & above: 7.5% of value of pension assets</p> <p>II. For Commercial Paper, maximum of 5% of value of pension assets may be invested in total</p>	<p>Applicable to Commercial Paper issues Only.</p> <p>Based on the credit rating of the corporate entity issuing the Commercial Paper thus:</p> <p>i. Rating of BBB: 16% of the issue.</p> <p>ii. Rating of "A": 20% of the issue</p> <p>iii. Rating of "AA & above": 25% of the issue</p>

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
			issues of any one corporate entity with a minimum rating of 'A'.	
5	Ordinary Shares (including GDRs)	10%	Maximum of 2.5% of value of pension assets in any one corporate entity.	i) Maximum of 4.5% of the issued capital of any one listed/quoted company. ii) Maximum of 2.5% of the value of GDR issued.
6.	Infrastructure Funds	0%	Not Applicable	Not Applicable
7	Private Equity Funds	0%	Not Applicable	Not Applicable
8	Open, Close-end and Hybrid Funds (including REITs and ETFs)	10%	Maximum of 5% of value of pension assets to any one issuer.	Maximum of 10% of any one Fund.

FUND IV (RETIREE FUND)

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
1	Government Securities (including Sovereign Bonds, GDNs, Sukuk, Mortgage Bonds and Eurobonds)	FGN & CBN Securities: 80%	i) FGN Bonds: Not Applicable. ii) Maximum of 5% of pension fund assets in total issues of FGN Eurobond.	i) FGN Bonds: Not Applicable. ii) Maximum of 2.5% of each issue of FGN Eurobond.
		State and Local Governments i.20%, if issue is backed by ISPOs/ Guarantees, as stipulated in Section 4.2. ii.)3%, if issue is not backed by ISPOs/ Guarantees, as stipulated in Section 4.2.	Maximum of 7.5% of pension assets under management in total issues of any one State or Local Government.	Based on the credit rating of the bond/debt instrument thus: i)Rating of BBB: 20% of the issue ii)Rating of A: 25% of the issue iii)Rating of AA & above: 30% of the issue
2	Corporate Debt Securities	45%, subject to a maximum of 10%	Maximum of 5% of pension assets	D)Based on the credit rating of the bond/

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
	(including ABS, MBS, Sukuk, Infrastructure Bonds, GDNs and Eurobonds)	in Infrastructure Bonds	under management in total issues of any one corporate entity.	debt instrument thus: i) Rating of BBB: 16% of the issue ii) Rating of A: 20% of the issue iii) Rating of AA & above: 25% of the issue. II) Maximum of 2.5% of each issue of GDN/Eurobond.
3	Supra-national Bonds/Sukuk	20%	Maximum of 5% of pension assets under management in total issues of any one multilateral development finance organization.	Based on the credit rating of the bond/ debt instrument thus: i.) Rating of “BBB”: 20% of the issue ii) Rating of “A”: 25% of the issue iii) Rating of “AA & above”: 30% of the issue.
4	Money Market Instruments (including	35%	I. Maximum investment of pension assets in	Applicable to Commercial Paper

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
	<p>Certificates of Deposits; Bankers Acceptances; & Commercial Paper of corporate entities)</p>		<p>all money market instruments issued by any one bank shall be subject to the issuer's credit rating thus:</p> <p>i. Rating of "BBB": 3% of value of pension assets</p> <p>ii. Rating of "A": 5% of value of pension assets</p> <p>iii. Rating of "AA" & above: 7.5% of value of pension assets</p> <p>II. For Commercial Paper, maximum of 5% of value of pension assets may be invested in total</p>	<p>issues Only.</p> <p>Based on the credit rating of the corporate entity issuing the Commercial Paper thus:</p> <p>i. Rating of BBB: 16% of the issue.</p> <p>ii. Rating of "A": 20% of the issue</p> <p>iii. Rating of "AA & above": 25% of the issue</p>

	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
			issues of any one corporate entity with a minimum rating of 'A'.	
5	Ordinary Shares (including GDRs)	5%	Maximum of 2.5% of value of pension assets in any one corporate entity.	I) Maximum of 4.5% of the issued capital of any one listed/quoted company. II) Maximum of 2.5% of the value of GDR issued.
6.	Infrastructure Funds	0%	Not Applicable	Not Applicable
7	Private Equity Funds	0%	Not Applicable	Not Applicable
8	Open, Close-end and Hybrid Funds (including REITs and ETFs)	5%	Maximum of 5% of value of pension assets to any one issuer.	Maximum of 10% of any one Fund.

9.0 Performance Benchmark

9.1 The annual Rates of Return on all RSA Funds shall be publicly disclosed by the PFAs on their websites.

9.2 The annual Rates of Return shall be based on the audited financial statements of the Funds; and on a 3-year Compound Annual Growth Rate (CAGR) of the Fund.

9.3 The Commission shall issue further guidelines on performance measurements in the pension industry.

10.0 Violations of Investment Limits

10.1 Limits imposed by this Regulation may be temporarily violated in cases of asset revaluation.

10.2 However, where such violation results from market appreciation in the value of securities, the PFA shall immediately notify the Commission and make no further purchases of such security until the portfolio is rebalanced.

10.3 If at any time a PFA willfully violates any of the investment limits so prescribed in Section 8.0 of this Regulation, the PFA may maintain the investments but shall not make any additional investments in that instrument until there is rebalancing due to increase in portfolio value. In addition, the PFA shall pay a penalty for violation of the approved limit, as may be determined by the Commission.

10.4 If a bank fails to fulfill the rating requirements stated in Section 5.1.2 of this Regulation, the PFA shall divest itself of all money market instruments issued by the bank within the following 3 months.

11.0 Voting Rights

11.1 PFAs shall observe due diligence and instruct the PFCs with regards to the exercise of voting rights acquired as a result of Pension Fund Assets held on their behalf by PFCs.

12.0 Closed Pension Funds and Approved Existing Schemes

12.1 Pursuant to Section 50 (1) (f) of the PRA 2014, all investments made prior to the commencement of the Act in assets which are contrary to Section 86 of the Act and this Regulation, may be maintained by entities whose existing schemes have been approved by the Commission to continue to exist.. This is, however, subject to appropriate Guidelines that may be issued by the Commission.

12.2 CPFAs and Approved Existing Schemes (AESs) may continue to invest in approved asset classes and securities (including real estate properties and foreign investments) provided that they do not exceed the investment limits specified in their Internal Investment Guidelines as approved by the Commission.

12.3 Notwithstanding the provisions of Section 12.2 above, CPFAs/AESs shall not convert Naira into foreign currencies for investments outside

Nigeria, without compliance with Section 87(2) of PRA 2014 and Guidelines on Foreign Investment to be issued by the Commission from time to time.

12.4 Where a Closed Pension Fund or Approved Existing Scheme had invested up to the investment limit prescribed for that asset class in its Internal Investment Guidelines, it may only make new investments in that asset class if there is portfolio growth to accommodate the additional investments.

12.5 CPFAs and Approved Existing Schemes may directly invest in real estate properties, subject to their Internal Investment Guidelines and the Guidelines on Direct Real Estate Investments issued by the Commission.

12.6 CPFAs and Approved Existing Schemes operating defined contribution schemes may maintain separate Funds for Existing and Retired employees, which should be reflected in the Internal Investment Guidelines approved by the Commission.

12.7 Any amendment(s) to the Internal Investment Guidelines of a CPFA/Approved Existing Scheme shall have the Commission's prior approval before implementation.

13.0 Reviews

13.1 This Regulation is subject to periodic reviews by the Commission.

