



NATIONAL PENSION COMMISSION

REVISED FRAMEWORK FOR ESTABLISHMENT OF THE PENSION INDUSTRY NON-INTEREST ADVISORY COMMITTEE (PINAC)

JULY, 2023

1.0 INTRODUCTION

Following the issuance of the Operational Framework on Non-Interest Fund (Operational Framework) by the National Pension Commission (the Commission), it has become imperative to institutionalize monitoring mechanisms for effective compliance of Non-Interest Fund (Fund VI) investments with Shari'ah principles. The Operational Framework recognizes compliance with Islamic Finance principles as a critical element for the investment of Fund VI assets by Licensed Pension Fund Administrators (PFAs).

Accordingly, the Commission has developed this Framework for the establishment of the Pension Industry Non-Interest Advisory Committee (PINAC), as outlined in Section 3.1.4 of the Operational Framework, to institutionalize mechanisms that would ensure adherence to Islamic finance principles in the investment of Fund VI assets.

2.0 OBJECTIVES

2.1 The specific objectives of the Framework are to:

- i. Set out the rules, regulations and procedures for the establishment of PINAC;
- ii. Define the roles, scope of duties and responsibilities of PINAC;
- iii. Outline the functions relating to Shari'ah review and audit processes of Fund VI assets;
- iv. Strengthen the capacity of the pension industry to adhere to Islamic Finance principles in the investment of Fund VI assets; and
- v. Define the relationship and working arrangement between Pension Fund Operators Association of Nigeria (PenOP) and PINAC.

3.0 ESTABLISHMENT OF NON-INTEREST ADVISORY COMMITTEE

3.1 Pursuant to Section 3.1.4 of the Operational Framework for Non-Interest Fund, a Shari'ah Advisory Committee for the Pension Industry shall be established to be known as the Pension Industry Non-Interest Advisory Committee (PINAC).

- 3.2 PINAC shall operate as an independent body, governed by the principles of intergrity, Islamic jurisprudence, professionalism and confidentiality in its operations.
- 3.3 Members of PINAC shall possess adequate understanding of the pension business in Nigeria and keep abreast with developments in the Pension Industry whether operational or regulatory.

4.0 MEMBERSHIP AND COMPOSITION OF PINAC

4.1 Composition & Nomination

- 4.1.1 PINAC shall comprise a maximum of seven (7) members, four of which shall be nominated by the Commission, while PenOp shall nominate three (3) members.
- 4.1.2 The Chairman of PINAC shall be appointed by the Commission from amongst the members nominated to the Committee.

4.2 Eligibility for Appointment

- 4.2.1 Persons to be appointed as members of PINAC shall possess any of the following minimum educational qualifications:
- i. Bachelor's Degree in Islamic Finance, Islamic/Shari'ah Law and Islamic Jurisprudence.
 - ii. Masters or Doctorate Degree in Islamic Finance.
 - iii. Renowned Islamic scholars with demonstrated capacity in Islamic Finance and/or jurisprudence may be nominated as members of PINAC.
- 4.2.2 Persons to be appointed as members of PINAC with any of the qualifications listed in 4.2.1 above must have at least five (5) years experience in Islamic Finance practice, teaching and/or research in the field of Islamic Finance or Islamic Law and Jurisprudence.
- 4.2.3 Professional certifications in the field of Islamic Finance issued by registered/licensed professional bodies such as Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Certified Shari'ah Adviser and Auditor (CSAA) will be of added advantage.

4.2.4 In order to foster diversity in PINAC deliberations, persons with first or second degrees in Economics, Finance or related courses with cognate experience in the financial services industry are also eligible for nomination.

4.2.5 Appointment in line with 4.2.4 above shall not be more than two members.

4.3 **Cessation of Office**

4.3.1 A person shall cease to hold office as a member of PINAC if:

- i. He/she resigns his/her appointment as a member of PINAC by notice, under his/her hand, addressed to the Commission;
- ii. He/she has served two consecutive terms;
- iii. He/she dies;
- iv. He/she is guilty of serious misconduct in relation to his/her duties;
- v. He/she is absent or fails to attend two of the mandatory meetings of PINAC held in a year without satisfactory explanation;
- vi. He/she becomes incapable of carrying out the functions of his/her office, either due to infirmity of the body or mind;
- vii. He/she is declared bankrupt or compromises with his/her creditors;
- viii. He/she is convicted of any offence involving dishonesty or fraud;
- ix. He/she is disqualified or suspended from practicing his/her profession in Nigeria by order of any competent authority;
- x. His/her appointment has been previously terminated or has been dismissed for reason of gross misconduct, fraud, dishonesty or conviction for an offence involving dishonesty or fraud; and
- xi. He/she has not been a director or held any leadership position in any failed financial/non-financial institution.

4.3.2 In the event of a vacancy, the Commission or PenOp, as the case may be, shall nominate a replacement to serve a fresh tenure.

5.0 RESPONSIBILITIES OF PINAC

5.1 The responsibilities of PINAC shall be to:

1. Provide guidance and/or advice on the application of Shari'ah standards on matters relating to investments of Fund VI assets;
2. Provide guidance and/or advice on matters that may trigger Shari'ah non-compliance and endorse corrective measures for Shari'ah non-compliance events;
3. Conduct Shari'ah audit and purification of the Investment Pool of Fund VI assets, as may be required from time to time;
4. Provide written opinion to the Commission and PenOp in respect of new products that may be admitted as allowable instruments for Fund VI investment and other Shari'ah matters relating to the operations of Fund VI;
5. Provide criteria for screening of business activities of companies and issuers of financial products for investment of Fund VI assets by PFAs;
6. Review implementation of decisions to cater for new issues that may arise from time to time in the course of implementation;
7. Issue recommendations on the promotion of non-interest finance;
8. Discuss with PenOp and agree on the Audit Fees for the Annual Shari'ah Audit;
9. Support the development of strategy and policy on finance principles in the investment of Fund VI assets; and
10. Carry out any other duties assigned to it by the Commission and/or PenOP.

6.0 RESPONSIBILITIES OF THE COMMISSION AND PENOP

6.1 Responsibilities of the Commission

6.1.1 The Commission shall:

- i. Establish a Secretariat for PINAC.
- ii. Approve the appointment of qualified individuals nominated as members of PINAC as well as appoint the Chairman from amongst PINAC members.
- iii. Provide PINAC with the necessary assistance and access to all relevant records, manuals or other information that it may require to perform its duties.
- iv. Determine and pay the remuneration of PINAC members.
- v. Approve the fees for the Annual Shari'ah Audit and purification of Fund VI income as may be agreed between the respective PFAs and PINAC.
- vi. Review and approve the appointment of an external Consultant in line with Section 7.10 of this Framework as well as determine the sitting allowances to be paid to the Consultant(s) where necessary.
- vii. Pay its share of the remuneration of PINAC Members.

6.2 Responsibilities of PenOp

6.2.1 PenOp shall:

- i. Nominate individuals for membership into PINAC in accordance with the provisions of this Framework.
- ii. Provide PINAC with the necessary assistance and access to all relevant records, manuals or other information that it may require to perform its duties.

- iii. Pay agreed amount as Audit Fees for the Annual Shari'ah Audit and purification of Fund VI income.
- iv. Pay its share of the remuneration of PINAC Members.

7.0 PROCEDURES FOR PINAC MEETINGS

7.1 The Chairman of PINAC shall:

- i. Oversee the activities of PINAC in line with Section 5.2 of this Framework.
- ii. Apply relevant Shari'ah procedures for the deliberations of the Committee.
- iii. Ensure sound decisions are made and foster healthy discussions on matters brought before the Committee.
- iv. Ensure that the decisions and opinions of PINAC are issued and disseminated to the Commission and PenOP.

7.2 PINAC shall meet at least twice a year and at any other time as may be required by the Commission and/or PenOp, and it shall so meet whenever it is convened by its Chairman.

7.3 The Chairman of PINAC, after due consultations with members, shall determine and communicate its schedule of mandatory meetings to the Commission and PenOp.

7.4 Every meeting of PINAC shall be presided over by the Chairman and if he is unable to attend a particular meeting, the members present at the meeting shall elect one of them to preside at the meeting.

7.5 The quorum for meetings of PINAC shall be a simple majority of members.

7.6 PINAC shall be responsible and accountable for the quality, accuracy and soundness of their decisions and advice.

7.7 PINAC shall exercise objectivity in making judgements or delivering decisions to avoid impairing professional objectivity.

7.8 PINAC shall establish a robust methodology to guide its decision making process including taking into account, relevant business practices and risks.

- 7.9 PINAC shall report directly to the Commission on all matters and shall notify the Commission of all cases where Shari'ah non-compliance is not effectively or adequately addressed, or remedial measures not taken by PFA(s).
- 7.10 PINAC shall copy PenOp on all issues reported to the Commission.
- 7.11 In the case of conflict of opinion concerning a Shari'ah ruling or in the event of a tie in a voting situation, the Chairman of PINAC may refer the matter to other properly constituted Regulatory Advisory Bodies/Committees such as Financial Regulation Advisory Council of Experts (FRACE) of Central Bank of Nigeria (CBN), the Takaful Advisory Council (TAC) of National Insurance Commission (NAICOM) for advice or any Shari'ah advisory board recognized by the Securities and Exchange Commission (SEC).
- 7.12 PINAC may engage the services of consultants with expertise in the field of business, economics, law, accounting or any other field to assist it in making informed judgement on the Shari'ah compliance of investment of Fund VI assets. Such consultants may attend meetings of the PINAC, but shall not take part or exercise voting rights in giving a Shari'ah legal opinion or verdict.
- 7.13 The Commission and PenOp shall notify the Secretariat of the need for, any meeting(s) outside the mandatory meetings, as the need arises and the Secretariat shall, in turn, notify the PINAC Chairman, who shall, after liaising with other members, convene such other meeting(s).
- 7.14 Any member of PINAC who has a personal interest in any arrangement entered into or proposed to be considered by the Committee, shall disclose his/her interest to the Committee and abstain from voting on any question relating to the arrangement.

8.0 THE SECRETARIAT

- 8.1 The Secretariat of PINAC established by the Commission, pursuant to Section 6.1.1 (i) of this Framework, shall reside in the Investment Supervision Department of the Commission.
- 8.2 There shall be a Secretary to PINAC, who shall be the Head of the Investment Supervision Department (ISD) of the Commission.

8.3 The Secretary and the Secretariat shall be responsible for:

- i. Coordinating all meetings of PINAC;
- ii. Receiving through PenOp, all requests from PFAs for Shari'ah Audit or any other matter for PINAC's consideration;
- iii. Coordinating the conduct of Shari'ah Audit;
- iv. Documenting and keeping records of all PINAC meetings, verdicts, decisions and recommendations in safe custody;
- v. Issuing notice of meetings of PINAC;
- vi. Conducting correspondences of PINAC;
- vii. Taking minutes of meetings of PINAC's proceedings and deliberations; and
- viii. Performing any other duty that is incidental or necessary towards provision of secretarial/administrative support to PINAC and facilitate effective reporting relationship between PINAC, PenOp, PFCs and the Commission.

8.4 The Commission shall bear the cost of operations of the PINAC Secretariat.

9.0 GENERAL PRINCIPLES

9.1 **Nomination:** The nomination for the appointment or re-appointment of members of PINAC shall be in writing and addressed to the Director General of the Commission. The nomination shall be accompanied by the Curriculum Vitae of the nominee.

9.2 **Appointment:** The appointment as member or chairman of PINAC shall be for an initial term of four (4) years, which is renewable for another four years, subject to a maximum of two terms.

- 9.3 **Disclosure:** PINAC members that have direct or indirect ownership/shareholding in a PFA or Pension Fund Custodian (PFC), shall disclose such ownership/shareholding to the Commission. The Commission reserves the right to approve or decline the appointment of such individual if the shareholding is deemed significant enough to interfere or be reasonably perceived to interfere with the exercise of independent judgement in the best interest of the Retirement Savings Account (RSA) Holders.
- 9.4 **Annual Appraisal:** There shall be an annual appraisal of PINAC and its members. The evaluation system shall include the criteria and key performance indicators for PINAC, the Chairman and each individual member. The report of the appraisal shall be contained in the Annual Report of PINAC.
- 9.5 **Reporting:** PINAC shall issue an Annual Report of its activities to the Commission and PenOp, not later than 90 days from the end of every calendar year.

10.0 ALLOWANCES AND AUDIT FEES

10.1 Allowances

- 10.1.1 The Commission shall determine the sitting allowances of PINAC members, which shall be funded as follows:
- i. The Commission and PenOp shall jointly be responsible for paying the sitting allowances for the mandatory meetings of PINAC based on a 60:40 ratio i.e. Pension Operators 60% and the Commission 40%.
 - ii. The Commission or PenOp shall solely pay the sitting allowance of PINAC for any meeting held other than the mandatory meetings, which may be subject to their request from time to time.

10.2 Audit Fees

- 10.2.1 The Audit Fees for the Annual Shari'ah Audit and purification of Fund VI income shall be charged to the Fund.

11.0 REVIEWS AND ENQUIRIES

11.1 This Framework is subject to review by the Commission from time to time as the need arises.

11.2 All enquiries regarding this Framework should be directed to:

The Director General
National Pension Commission
174, Adetokunbo Ademola Crescent Wuse II, Abuja- Nigeria
Email:info@pencom.gov.ng
Tel: +234-9460-3930