NATIONAL PENSION COMMISSION

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CIRCULAR

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TO: **MDs/CEOs of Licensed Pension Fund Operators**

SUBJECT: COUNTERPARTIES TO PENSION FUNDS TRANSACTIONS IN GOVERNMENT SECURITIES

1.0 The National Pension Commission (the Commission) is committed to safeguarding the integrity, transparency, and orderly conduct of the market for government securities. In line with global best practices, Pension Fund Administrators (PFAs) are required to observe the following standards in their dealings:

1. Permissible Counterparties

PFAs shall conduct transactions in government securities exclusively with Primary Dealer Market Makers (PDMMs) and other Authorised Dealers duly licensed by the Central Bank of Nigeria (CBN).

2. Engagement of Brokers

2.1 Conditions for Engagement

PFAs shall not transact with brokers or intermediaries that do not maintain a settlement account with the Central Bank of Nigeria, except under strict conditions designed to support transparency and accountability. Where a PFA elects to engage such a broker, the arrangement must be formalised through a Service Level Agreement (SLA) that:

i. Is reviewed and approved by the Commission prior to execution;

ii. Clearly defines the scope of services and obligations of all parties; and

iii. Provides transparent disclosure of all fees, commissions, and related charges.

2.2 Transparency and Reporting

To enhance supervisory oversight and market discipline, PFAs shall submit daily transaction reports to the Commission covering all trades executed under such arrangements. The reports must, at a minimum, include:

i. Names of all counterparties (brokers, PDMMs/Authorised dealers);

ii. Trade details including instrument, volume, price, and settlement terms;

iii. Commissions and other fees paid;

iv. Material information not included herein that requires disclosure; and

v. Any additional information as may be requested by the Commission.

2.3 Trade Oversight and Validation

All trades shall be subject to daily mark-to-market (MTM) confirmation and rate reasonability checks. PFAs shall provide satisfactory justification for any transactions executed at prices that deviate from prevailing MTM rates. Where the Commission determines that such explanations are inadequate, the concerned PFA shall be subject to regulatory sanctions and shall, in addition, be mandated to refund the affected Retirement Savings Accounts (RSAs) with no less than 300% of the identified price differential.

3 Compliance and Enforcement

The Commission shall closely monitor adherence to these requirements through daily reporting, surveillance, and routine supervisory reviews. Non-compliance will attract regulatory sanctions in accordance with the Pension Reform Act, 2014, and other applicable rules.

All PFAs are strongly advised to review their existing arrangements and ensure immediate compliance with this directive.

Strict compliance is mandatory.

Thank you.

A. M. Saleem
Director, Surveillance Department.

