



NATIONAL PENSION COMMISSION

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CIRCULAR

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TO: All Licensed Pension Fund Operators

SUBJECT: EXTENSION OF REGULATORY FORBEARANCE ON INVESTMENTS IN SECURITIES ISSUED BY PARENT COMPANIES OF PENSION FUND CUSTODIANS

- 1.0** The Commission hereby extends its existing regulatory forbearance to permit Pension Fund Administrators (PFAs) to invest in a broader range of securities issued by the parent companies (i.e., shareholders) of their respective Pension Fund Custodians.
- 1.1** This approach reflects a pragmatic recognition of prevailing market realities, including operational constraints within the financial system and the limited availability of quality investable instruments in the domestic market. This measure would enhance portfolio flexibility and broaden the investable universe, enhance diversification, and improve PFAs' ability to achieve optimal risk-adjusted returns in line with their fiduciary obligations.
- 1.2** This regulatory forbearance shall subsist for a period of twenty-four (24) months only.

2.0 GOVERNING PRINCIPLES

- i. Every PFC-related investment must meet the same fiduciary standards that apply to all pension investments. The mere fact that a security is connected to a custodian must never justify preferential treatment.
- ii. All transactions must be conducted strictly at arm's length. No PFC-related investment shall be undertaken on terms less favourable than prevailing market conditions.
- iii. Exposure must remain quantitatively limited. Prudential caps are essential because governance safeguards alone cannot fully eliminate correlation and contagion risks.

3.0 INVESTMENT ELIGIBILITY CONDITIONS

PFAs can only invest pension funds in the equities or financial instruments of the Holding Company of PFC as follows:

- i. The parent company of the PFC shall be a financial institution licensed by the Central Bank of Nigeria, subject to applicable prudential limits.
- ii. The parent company of the PFC in (i) above must be a publicly listed company on an SEC-recognised securities exchange.
- iii. It must demonstrate a minimum record of financial soundness, including a history of profitability and dividend payments, regulatory compliance, and the absence of unresolved enforcement actions.

4.0 EXPOSURE LIMITS AND PRUDENTIAL CAPS

- i. The following per-issuer limits shall apply to the respective funds under management:

S/N	Asset Class	Per issuer limits for Funds I, II, VI-Active, V-Growth	Per issuer limits for Funds III, IV, VI-Retiree, V Conservative
I.	Ordinary Shares	Maximum investment of pension assets in the quoted shares issued by a PFC's parent company shall be subject to a maximum limit of 3%	Maximum investment of pension assets in the quoted shares issued by a PFC's parent company shall be subject to the maximum limit of 1%
II.	Bonds	Maximum investment of pension assets in all bonds issued by any one parent company shall be subject to the maximum limit of 5%	Maximum investment of pension assets in all bonds issued by any one parent company shall be subject to the maximum limit of 3%

- ii. The aggregate exposure of RSA Funds to equities and bonds issued by the parent company of a PFC shall not exceed 5 per cent of the RSA portfolio's consolidated net asset value.
- iii. The aggregate exposure of RSA Funds to all securities (including money market instruments) issued by the parent company of a PFC shall not exceed 10 per cent of the consolidated Net Asset Value of the RSA portfolio. This limit is intended to consolidate all related investments into a single exposure, measure that exposure, and prevent excessive concentration on a single entity, regardless of the number or type of securities issued.
- iv. No PFA shall invest more than 20 per cent in any corporate bond issue rated "A" and above where the bond is issued by the parent company of its Pension Fund Custodian.
- v. No PFA shall invest more than 15 per cent in any corporate bond issue rated "BBB" where the bond is issued by the parent company of its Pension Fund Custodian.

- vi. These limits set out under this arrangement shall operate consistently with the limits in the Regulation on Investment of Pension Fund Assets.

5.0 INTERNAL GOVERNANCE REQUIREMENTS WITHIN PFAs

- i. Investments in the parent company of a PFC create heightened fiduciary sensitivity; therefore, the internal approval processes must exceed ordinary investment standards.
- ii. Before any such investment is executed, the proposal must be independently reviewed by the PFA's Investment Committee, Risk Management Unit and Compliance Department.
- iii. The Investment Committee must document why the proposed investment serves contributors' best interests and how it compares against alternative market opportunities.
- iv. The Risk Management Unit must separately certify that the investment does not create excessive concentration, correlation or liquidity risk.
- v. The Compliance Department must confirm legal and regulatory conformity, including exposure limit calculations and conflict disclosure requirements.
- vi. The Board shall establish a policy governing investment in securities issued by the parent company of its PFC, and shall ensure that final approval for such transactions is granted in accordance with the approval framework defined by the Board Investment Committee.

6.0 CONFLICT OF INTEREST MANAGEMENT

- i. PFAs must maintain a formal PFC-Party Conflict Register documenting every investment involving custodian-linked entities. This register must identify the nature of the relationship, the decision-makers involved,

the conflict declarations submitted and the mitigation measures applied.

- ii. Where any approving official has overlapping affiliations with the issuer or custodian group, that individual must disclose the nature of such a relationship and be excluded entirely from the approval process.

7.0 DISCLOSURE OBLIGATIONS

- i. PFAs shall disclose quarterly reports to the Commission detailing all holdings in the parent company of their PFCs, including acquisition dates, valuation basis, percentage NAV exposure and changes since prior reporting periods.
- ii. The Audited Financial Statements of the RSA Funds must disclose, in plain language understandable to contributors, total exposures to the parent company of the PFC, and include a statement certifying compliance with the Commission's regulations.
- iii. If any exposure limit is breached or if the parent company of a PFC enters financial distress, PenCom must be notified within forty-eight hours.
- iv. This disclosure regime shall ensure both supervisory visibility and contributor transparency.

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

Thank you.



A.M. Saleem
Director, Surveillance Department