



OPERATIONAL FRAMEWORK FOR  
NON-INTEREST FUND  
(FUND VI)

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## **1.0 INTRODUCTION**

### **1.1 Preamble**

1.1.1 There has been increasing demand by RSA holders for the opportunity to invest their retirement savings in non-interest instruments. This led to series of engagements with other financial regulators and stakeholders towards creating a Non-Interest Fund (based on Islamic Shari’ah Principles) to cater for the needs of this category of RSA holders.

1.1.2 The Regulation on Investment of Pension Fund Assets (Investment Regulation) defined ‘Non-interest compliant instruments’ as “financial securities and specialist investment funds that comply with the provisions of Islamic Commercial Jurisprudence (Shari’ah) and any other established non-interest principles, as approved by the Financial Regulation Advisory Council of Experts (FRACE), or any other body, constituted by the Central Bank of Nigeria and/or Securities and Exchange Commission, from time to time”.

### **1.2 Objectives of the Framework**

1.2.1 To establish standards and procedure for the management of Fund VI by licensed PFAs in Non-Interest instruments as provided in Section 7.3 of the Investment Regulation.

1.2.2 To assist in expanding the coverage of the Contributory Pension Scheme (CPS) by attracting employees with reservations about investments in Non-shariah compliant instruments.

1.2.3 To promote financial inclusion within the Nigerian Financial System.

### 1.3 Definition of Terms

SN	TERM	DEFINITION
1	Active RSA contributors	Employees in active service who is making periodic pension contributions to his registered Retirement Savings Account (RSA) in Funds I,II or III with a licensed PFA.
2	Contributory Pension Scheme	A Contributory Pension Scheme established under the Pension Reform Act, 2014 for any employment in the Federal Republic of Nigeria for payment of retirement benefits of employees in the formal and informal sector.
3	Conventional Non-Shariah compliant instruments	Financial securities that do not comply with Shari'ah principles and not sanctioned by the Financial Regulation Advisory Council of Experts.
4	Conventional Assets/securities/instruments	Assets/Securities/Instruments that are not based on Islamic shari'ah principles
5	Ethical Investment	A specific kind of financial operation whose purpose is to deliver a social impact.
6	Financial Regulation Advisory Council of Experts	An advisory body on Islamic Banking and Finance established by the Central Bank of Nigeria (CBN) to advice on matters relating to Islamic commercial jurisprudence for the effective regulation and supervision of Non-Interest Financial Institutions and products in Nigeria.
6	Gharar	Any commercial transaction associated with uncertainty, deception, and excessive speculation. It has been described as "the sale of what is not yet present," such as crops not yet harvested or fish not yet netted.
7	Mudarabah contract (profit-sharing and loss-bearing partnership)	A form of Islamic equity-based partnership contract, commonly known as a profit-sharing contract. It is a partnership contract where the capital provider contributes the capital while the manager provides managerial skills to manage the Mudarabah capital accordingly.
8	Non-Interest Compliant Instruments	Financial securities and specialist investment funds that comply with the provisions of Islamic Commercial Jurisprudence (Shari'ah)
9	Non-Interest Fund (Fund VI)	A Fund type managed by PFAs whose assets are invested in instruments that are both ethical and Non-interest bearing in line with Islamic Shariah Principles.
10	Pension Fund Administrator	A company licensed by National Pension

	(PFAs)	Commission to manage and administer pension funds and assets
11	PRA 2014	An Act of the National Assembly that established the Contributory Pension Scheme and make provisions for its uniform implementation for Public and Private Sector in Nigeria and Related Matters.
12	Prospective Retirees	An employee with contributions in RSA Fund III (above 50 years) who is making preparations for retirement from active service or has applied for retirement benefits.
13	Regulation on Investment of Pension Fund Assets (Investment Regulation)	The Investment Regulation issued by the Commission to provide rules and standards for the investment of pension fund assets. The requirements of the Regulation are consistent with the provisions of the PRA, 2014.
14	Retiree	Retirees with retirement savings in Fund IV who are on programmed withdrawal and retirees on Life Annuity payments that have retired from active service.
15	RSA Holder	An employee (including self-employed) who registered and opened a Retirement Savings Account (RSA) with a licensed PFA.
16	Shariah	Islamic religious law that governs aspects of day-to-day life in Islam including Islamic commercial jurisprudence, market and financial transactions.
17	Shari'ah Board of Advisers	Persons or institution(s), deemed competent on Islamic financial services to advice on Islamic, legal and wider Shariah matters related to all aspects of Islamic financial products.
18	Sukuk (Islamic Bond)	An Islamic financial instrument that involves a direct asset ownership and complies with Non-Interest Islamic financial principles.
19	The Commission	National Pension Commission
20	Wakala Bil-Istithmar (investment agency contract)	A method whereby Islamic financial institutions manage funds on behalf of their customers. This involves providing agency ( <a href="#">wakala</a> ) charges against specific fund management fees.

## 1.4 Table of Abbreviations

<b>SN</b>	<b>TERM</b>	<b>DEFINITION</b>
1	AAIOFI	Accounting and Auditing Organisation for Islamic Financial Institutions
2	ABS	Asset Backed Securities
3	FRACE	Financial Regulation Advisory Council of Experts
4	FRCN	Financial Reporting Council of Nigeria
5	GDN	Global Depository Notes
6	GDR	Global Depository Receipts
7	IFRS	International Financial Reporting Standards
8	IFSB	Islamic Financial Services Board
9	ISPO	Irrevocable Standing Payment Order
10	MBS	Mortgage Backed Securities
11	NFIS	National Financial Inclusion Strategy, which provides objectives, priorities and principles for driving financial inclusion in Nigeria.
12	NAV	Net Asset Value, which means the summation of the value of Pension Fund Assets minus allowable expenses
13	RSA	Retirement Savings Account

## 1.5 Legal Framework

1.5.1 Section 85 of the PRA 2014 provides that all contributions shall be invested by the PFAs with the objectives of safety and maintenance of fair returns on amount invested in accordance with regulations and guidelines issued by the Commission.

1.5.2. Section 4.0 of the Regulation on Investment of Pension Fund Assets (Investment Regulation) required PFAs to invest Fund VI assets in instruments that are both Ethical and Non-interest bearing.

1.5.3 Section 7.3 of the Investment Regulation established the Non-Interest Fund (Fund VI) among the Fund types to be managed by licensed Pension Fund Administrators (PFAs).

1.5.4 The establishment of Fund VI is in line with Section 1.4 of the amended Regulation on the Investment of Pension Fund Assets, which mandates licensed PFAs to maintain a Multi Fund Structure to govern the investment of RSA Funds under their management.

## **1.6 Form and Content**

The Operational Framework on Non-interest Fund is divided into Nine (9) Sections.

Section One (1) is the introduction and provides a background on the imperative for the establishment of Fund VI as well as the objectives of the Framework. Section Two (2) outlines the definition of terms and addresses the basic principles for the investment and management of the Non-Interest Fund by PFAs.

Section Three (3) discusses the Governance Structure of the Non-Interest Fund while Section Four (4) covers issues relating to Commission and Fees.

The Portfolio composition of Fund VI assets and the phasing out arrangement of non-shari'ah compliant assets are provided in Section Five (5). Section Six (6) addresses the Transfer Modalities for Fund VI. Capacity Building and Training towards the establishment of Fund VI are discussed in Section Seven (7). The Audit, Accounting and Disclosure requirements of Fund VI are discussed in Section Eight (8). Section 9 establishes the review and enquiries process.

The requirements of this Framework are consistent with the provisions of the Pension Reform Act 2014 (PRA 2014).

## **2.0 RULES OF GENERAL APPLICATION**

### **2.1 Basic Principles**

2.1.1 The overall objectives of pension fund investments shall be safety and maintenance of fair returns on investments in line with Section 85 of the PRA 2014 and regulations/ guidelines issued by the Commission.

2.1.2 Fund VI assets shall not be invested in the production or trading of alcohol, pornography, weaponry, gambling/betting, speculation, interest earning ventures and other ventures of similar nature contrary to Sharia principles and as may be determined by FRACE from time to time.

2.1.3 Fund VI shall be based on the principles of Wakala Bil-Istithmar (investment agency contract) with the PFA acting as the investment agent for active RSA contributors in Funds VI.

2.1.4 The principle of Mudarabah contract (profit-sharing and loss-bearing partnership) shall be used for retirees in Fund IV who opted for Fund VI.

### **2.2 Creation of Separate Funds**

2.2.1 Fund VI shall be separated into two funds for Active RSA holders and Retirees. PFAs shall manage and invest the assets of the Funds separately in accordance with the rules outlined by this Framework and extant Regulations issued by the Commission in this regard.

2.2.2 Pursuant to 2.2.1 above, PFAs shall create and maintain two separate Non-Interest funds as follows:



- i. Active Non Interest Fund (Active Fund VI): For contributors in Funds I, II and III that have elected to move their contributions to Fund VI.
- ii. Retiree Non Interest Fund (Retiree Fund VI): For Retirees in Fund IV that move their contributions to Retiree Fund VI.
- iii. RSA contributors in Fund III can move their contributions directly to Retiree Fund VI at the time off retirement.

## **2.3 Prohibition of Speculation**

2.3.1 Fund VI assets are to be invested in instruments that are free from speculation and uncertainty that might lead to destruction or loss, otherwise known as 'Gharar' under the Islamic commercial jurisprudence.

2.3.2 Pursuant to 2.3.1 above, the fundamental value of a security with respect to the annual income it may bring such as dividends, is to be considered by PFAs before future price considerations. Derivative products such as futures contracts, Swaps, options and Forwards are considered as speculative and uncertain.

2.3.3 Pursuant to Clause 2.2.1 above, PFAs shall obtain sufficient knowledge (number of units, terms of the sale/contract, and monetary worth) of the instrument(s) intended to be exchanged before taking investment decisions on Fund VI assets.

## **2.4 Allowable Instruments**

2.4.1 The provisions of Section 4 of the Investment regulation shall apply to Fund VI in respect of allowable instruments.

2.4.2 Pursuant to Clause 2.4.1 above, Fund VI assets shall be invested in the following instruments:

- i. Government Sukuk, (including Islamic Treasury Bills and Euro Sukuk) issued by FGN, CBN or FGN Agencies and Infrastructure Sukuk, backed by FGN/CBN guarantee)
- ii. Corporate Sukuk (including Sharia'ah compliant ABS,MBS, GDNs, Euro Sukuk & Infrastructures Sukuk)
- iii. Supranational Sukuk
- iv. Shari'ah compliant Money Market instruments
- v. Shari'ah compliant ordinary shares (including GDRs)
- vi. Shari'ah compliant infrastructure funds
- vii. Shari'ah compliant private equity Funds
- viii. Shari'ah compliant Open/Closed/Hybrid Funds
- ix. Shari'ah compliant real Estate funds

2.4.3 Fund VI assets are also allowed to be invested in conventional assets where a PFA is unable to find approved Non-Interest instruments. The conventional assets are to be phased out as more approved Non-Interest instruments become available.

2.4.4 The conventional assets must comply with the provisions of Section 2.1.2 of this Operational Framework.

2.4.5 The conventional securities to augment Sharia-compliant assets could be interest bearing but should not be in sectors/business whose underlying assets/products do not meet the basic ethical principles as stated in Section 2.1.2 of this Operational Framework.

## **2.5 Quality of Instruments/Securities**

2.5.1 The provisions of Sections 5 of the Investment Regulation shall apply to Fund VI in respect of quality requirements for instruments to be invested in the Fund.

2.5.2 The rating requirements with respect to selection of counter parties and investment instruments in Fund VI shall be in line with the provisions of Section 5.1 of the Investment Regulation.

## 2.6 Investment Limits

2.6.1 The provisions of Sections 4 and 5 of the Investment Regulation shall apply to Fund VI in respect of investment limits and authorized markets for trading.

2.6.2 Pursuant to Clause 2.6.1 above, the overall maximum investment limits for Fund VI are as follows:

**Table I: Maximum Investment Limits for Active Fund VI**

S/N	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
1	<b>Government Sukuk (including Islamic Treasury Bills and Eurobonds (including Sukuk) issued by FGN, CBN or FGN Agencies and Infrastructure Sukuk, backed by FGN/CBN guarantee)</b>	FGN & CBN Sukuk: Maximum of 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.  ii. 3%, if issue is not backed by ISPOs/Guarantees.	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 Sukuk thus: i. Rating of BBB: 25% of the issue. ii. Rating of A: 30% of the issue iii. Rating of AA & above: 35% of the issue
2	<b>Corporate Sukuk (including ABS, MBS, GDNs, Eurosukuk &amp; Infrastructure Sukuk)</b>	40%, subject to a maximum of 20% in Infrastructure Sukuk	Maximum of 7.5% of pension assets under management in total issues of any one corporate entity.	Based on the credit rating of the Sukuk thus: i. Rating of BBB: 25% of the issue ii. Rating of A: 30% of the issue

				<p>iii. Rating of AA &amp; above: 35% of the issue</p> <p><u>Eurosukuk</u></p> <p>Maximum of 2.5% of each Eurosukuk issue</p>
3	<b>Supranational Sukuk</b>	20%	Maximum of 5% of pension assets under management in total issues of any one Multilateral Development Finance Organization.	<p>Based on the credit rating of the sukuk 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 &amp; above”: 30% of the issue</p>
4	<b>Shariah compliant Money Market Instruments (including Bankers Acceptances; Commercial Papers of corporate entities)</b>	30%	<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” &amp; 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</p>	<p>Applicable to Commercial Paper issues Only. 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 &amp; above”: 25% of issue</p>
5	<b>Shariah compliant Ordinary Shares (including GDRs)</b>	25%	Maximum of 5% of value of pension assets in any one corporate entity.	<p>Maximum of 7.5% of issued capital of any one eligible quoted company.</p> <p>GDR Maximum of 5% of the value of GDR issued.</p>

6	Shariah compliant 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	Shariah Compliant 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	Shari'ah compliant Open/Closed-End/Hybrid Funds (including ETFs& REITs)	20%	Maximum of 5% of value of pension assets to any one issuer.	Maximum of 15% of any one Fund

**Table II: Maximum Investment Limits for Retiree Fund VI**

S/N	ASSET CLASSES	GLOBAL LIMITS	PER ISSUER LIMITS	PER ISSUE LIMITS
1	Government Sukuk (including Islamic Treasury Bills and Eurobonds (including Sukuk) issued by FGN, CBN or FGN Agencies and Infrastructure Sukuk, backed by FGN/CBN guarantee)	FGN & CBN Sukuk: Maximum of 80%	i. FGN Bond: Not Applicable  ii) Maximum of 5% of pension fund assets in total issues of FGN Eurobond.	iv. FGN Bond: Not Applicable  ii. Maximum of 2.5% of each issue of FGN Eurobond.
		State and Local Governments:  iii. 20%, if Issue is backed by ISPOs/Guarantees.  iv. 3%, if issue is not backed by ISPOs/ Guarantees.	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 Sukuk thus:  iv. Rating of BBB: 25% of the issue. v. Rating of A: 30% of the issue vi. Rating of AA & above: 35% of the issue
2	Corporate Sukuk (including ABS, MBS, GDNs, Eurosukuk & Infrastructure Sukuk)	45%, subject to a maximum of 10% in Infrastructure Sukuk	Maximum of 5% of pension assets under management in total issues of any one corporate entity.	Based on the credit rating of the Sukuk thus:  iv. Rating of BBB: 25% of the issue v. Rating of A: 30% of the issue  vi. Rating of AA & above: 35% of the issue

				<p><u>Eurosukuk</u></p> <p>Maximum of 2.5% of each Eurosukuk issue</p>
3	<b>Supranational Sukuk</b>	20%	Maximum of 5% of pension assets under management in total issues of any one Multilateral Development Finance Organization.	<p>Based on the credit rating of the sukuk thus:</p> <p>i. Rating of “BBB”: 20% of the issue</p> <p>v. Rating of “A”: 25% of the issue</p> <p>vi. Rating of “AA &amp; above”: 30% of the issue</p>
4	<b>Shariah compliant Money Market Instruments (including Bankers Acceptances; Commercial Papers of corporate entities)</b>	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>iii. Rating of “A”: 5% of value of pension assets</p> <p>iii. Rating of “AA” &amp; 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</p>	<p>Applicable to Commercial Paper issues Only. 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 &amp; above”: 25% of issue</p>
5	<b>Shariah compliant Ordinary Shares (including GDRs)</b>	5%	Maximum of 2.5% of value of pension assets in any one corporate entity.	<p>Maximum of 7.5% of issued capital of any one eligible quoted company.</p> <p>GDR Maximum of 2.5% of the value of GDR issued.</p>
6	<b>Shariah compliant Infrastructure Funds</b>	0%	Not Applicable	Not Applicable

7	Shariah Compliant Private Equity Funds	0%	Not Applicable	Not Applicable
8	Shari'ah compliant Open/Closed-End/Hybrid Funds (including ETFs& REITs)	5%	Maximum of 5% of value of pension assets to any one issuer.	Maximum of 15% of any one Fund

## 2.7 Violation of Investment Limits

2.7.1 The provisions of Sections 6, 9, 10 and 11 of the Investment Regulation shall apply to Fund VI in respect of violation of investment limits, conflict of interest issues, performance benchmarks, and performance reporting and voting rights.

2.7.2 Notwithstanding the provisions of Section 2.7.1 above, a moratorium of 12 months from the commencement date (1<sup>st</sup> day of effective implementation of Non-Interest) is provided for temporary violation of the investments limits. PFAs are expected to rebalance their portfolios within the 12 months moratorium period.

## 2.8 Eligibility

2.8.1 RSA holders in Fund I, Fund II and Fund III are eligible to move their RSA contributions to Fund VI (Active Fund VI).

2.8.2 Retirees in Fund IV are eligible to move their RSA contributions to Fund VI (Retiree Fund VI).

2.8.3 The Commission shall determine the participation of Micro Pension Contributors in due course.

## 2.9 Custody of Non-Interest Fund

2.9.1 PFAs shall maintain the Pension Fund Custodian (PFC) that manages the custody of the 'Active' RSA Funds (Fund I, II and III) to administer the custodial services of the 'Active' and Retiree RSA Fund VI.

2.9.2 PFAs shall open the necessary custodial accounts for the Non-Interest Fund (Active RSA Fund VI and Retiree Fund VI).

### **3.0 GOVERNANCE STRUCTURE OF FUND VI**

#### **3.1 Shari'ah Board of Advisers**

3.1.1 The FRACE shall serve as an advisory body to the Commission on Islamic Finance matters and specifically on all subsidiary legislations on investment of Fund VI assets.

3.1.2 In line with the provision of paragraph 6.1 of the Guidelines on the Governance of Financial Regulation Advisory Council of Experts for Non-Interest (Islamic) Financial Institutions in Nigeria issued by the Central Bank of Nigeria (CBN) and as contained in Section 3.1.1 of this Operational Guideline, FRACE shall serve as the Shari'ah Advisory Board of the Commission for the purpose of clarifications on issues relating to Non-Interest Fund.

3.1.3 The Commission shall seek the advice of the FRACE on matters relating to Islamic commercial jurisprudence. The advice of FRACE in this regard shall be used by the Commission as an input into its regulatory decisions on the management of Fund VI by PFAs.

3.1.4 There shall be a Committee of Resident Shari'ah Advisors established for the Pension Industry to ensure continuous Shari'ah audit and purification of the Investment Pool of Fund VI assets. The Resident Shariah Advisors shall also be responsible for the purification and disposal of Non-Permissible Income, where investment was done in conventional non-Shariah-compliant instruments or any accrued income that is non-permissible under Shari'ah.



#### **4.0 COMMISSION AND FEES**

- 4.1 Pursuant to clause 2.1.3 of this Framework, the Principle of Wakalah Bil-istithmar shall apply to the fees charged by PFAs on Fund VI. Consequently, Fund VI fees shall be charged as a percentage of the Net Asset Value (NAV) of the investment of Fund VI assets.
- 4.2 The rate of fees to be charged in 4.1 above shall be as defined in the Regulation on fees Structure and other relevant Circulars issued by the Commission.
- 4.3 Pursuant to clause 2.1.4 of this Guideline, the principle of Mudarabah shall apply to Retirees in Fund IV. Accordingly, income based fees shall be charged for Retirees in Fund VI.
- 4.4 Administration fees shall be charged per RSA holder by PFAs, to cover cost of registration and administering each RSA in line with the provisions of the Regulation on Fees Structure issued by the Commission.

#### **5.0 PORTFOLIO COMPOSITION OF FUND VI**

- 5.1 The Portfolio composition of Fund VI, in the first instance, shall be made up of Sharia compliant instruments and subject to the provision of Clause 2.4.3 of this Operational Guideline, any gap shall be filled up with conventional securities/instruments.
- 5.2 Licensed PFAs shall in addition to other statutory returns render monthly and quarterly reports to the Commission, providing justifications for all Non-Shariah compliant securities in the Fund VI portfolio.
- 5.3 The Portfolio Mix (compliant vs non-compliant) in Fund VI shall be progressively phased out in favour of Shari'ah compliant securities

subject to market situation and availability of products. The progressive phasing of investment in favour of Shari'ah-compliant investment shall be reported quarterly to the FRACE by the Commission for proper monitoring of compliance with Shari'ah principles.

- 5.4 The Commission shall, pursuant to review of the market situation and availability of products, determine the terminal date for conventional assets in Fund VI, after which Fund VI shall fully comprise of only certified Shari'ah compliant products.

## **6.0 TRANSFER MODALITIES**

- 6.1 Eligible RSA holders seeking to move to Fund VI shall do so in accordance with Section 7.5 of the Investment Regulation dealing with active choices.
- 6.2 The provisions of the RSA Multi-fund Implementation Guidelines shall apply to Fund VI in respect of cost of transfer, valuation, movement of assets & types of asset, maintenance of proper books of accounts, custody arrangements and movements from RSA Funds I, II, III, and IV.
- 6.3 Notwithstanding the provisions of Section 7.5 of the Investment Regulation and Section 2.2.5 of the RSA Multifund implementation Guidelines, retirees under Fund IV can move their RSAs to Fund VI.
- 6.4 RSA holders in Fund VI seeking to move back to any of the Active RSA Funds or Fund IV shall do so in line with the provisions of the RSA Multi-fund Implementation Guidelines and Section 7.6 of the Investment Regulation dealing with Transfers between Fund Types within a PFA.

6.5 The nominal unit price of Fund VI (RSA Fund VI and Retiree Fund VI) shall be ₦1.000 at the 1st day of the effective implementation of Non-Interest Fund.

6.6 PFAs shall redeem units from the RSA 'Active' Funds (Fund I, II and III) and RSA Fund IV in respect of contributors and retirees who have formally applied to move their contributions to Fund VI. The naira value of the balance in their RSAs shall be transferred to purchase units in the RSA Fund VI at the nominal unit price of ₦1.000.

## **7.0 CAPACITY BUILDING/TRAINING**

7.1 All Operators shall develop and build the necessary competencies to effectively manage Fund VI assets.

7.2 The Commission shall monitor compliance with 7.1 above.

7.3 The Commission shall ensure capacity building on Non-Interest finance products and Islamic Finance within the pension industry.

7.4 The Commission shall, in order to provide a viable platform for addressing emerging issues in Islamic finance (governance and jurisprudence) as well as to discuss operational challenges, organise periodic finance fora on Non-Interest Fund for the Pension Industry.

7.5 PFAs shall provide adequate financial advice and guidance to their clients on the benefits and potential risks of transferring their RSAs to Fund VI.

## **8.0 AUDIT, ACCOUNTING AND DISCLOSURE REQUIREMENTS**

8.1 PFAs shall maintain detailed records in respect of their operations on Fund VI in line with the provisions of Section 66 of the PRA, 2014 and requirements of the Fund Accounting Guidelines issued by the Commission.

- 8.2 All PFAs shall comply with the relevant standards on disclosure issued by standard setting organisations including the following:
- i. Financial Reporting Council of Nigeria (FRCN)
  - ii. Islamic Financial Services Board (IFSB) and
  - iii. Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)
- 8.3 All PFAs shall comply with the Generally Accepted Accounting Principles (GAAP) codified in local standards issued by the FRCN and the International Financial Reporting Standards (IFRS). Where transactions, products and activities are not covered by these standards, the relevant provisions of the AAOIFI shall apply.
- 8.4 All PFAs shall comply with the requirements of provisions of the Code of Corporate Governance for Licensed Pension Operators, Regulations for Auditing of Pension Funds and applicable guidelines/directives regarding the appointment, re-appointment, resignation, rotation, change and removal of auditors.
- 8.5 PFAs shall provide monthly reports on the percentage split between compliant and non-compliant investments in a format to be provided by the Commission.
- 8.6 PFAs shall also maintain records that show all earnings, receipts, payments and charges made to the Fund and render regular reports to the Commission, as may be specified from time to time.

## **9.0 REVIEW AND ENQUIRIES**

9.1 This Framework shall be subject to review by the Commission from time to time.

9.2 All enquiries regarding this Framework shall 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