

How to Obtain a Pension Fund Custodian (PFC) License in Nigeria (2026 Guide)

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Description

Introduction

Securing a **Pension Fund Custodian (PFC) License in Nigeria** is one of the most capital intensive and compliance heavy authorisations issued by the **National Pension Commission (PenCom)**. PFCs are the backbone of the Nigerian pension industry due to the fact they **hold, safeguard and settle all pension assets** on behalf of Pension Fund Administrators (PFAs) and millions of contributors.

What is a Pension Fund Custodian (PFC)?

A **Pension Fund Custodian** is a licensed institution responsible for:

- Holding pension assets in **trust**
- Settling investment transactions on instruction of PFAs

- Providing daily reporting and reconciliation to PenCom & PFAs
- Safeguarding assets completely separate from its own balance sheet

By law, a PFC **cannot manage pension funds,** it only **keeps them in custody**. PFAs invest; PFCs safeguard.

Who Can Apply for a PFC Licence in Nigeria?

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PenCom's requirements make the PFC license restricted to only very strong financial institutions.

To qualify:

Applicant must be a company incorporated in Nigeria

Incorporation must be under CAMA, and its Memorandum and Articles must show it is established **solely** for pension custody services.

Must be wholly or jointly owned by a licensed financial institution

Parent institutions must show credible financial strength, clean compliance history, and acceptable ownership structure.

Must demonstrate the ability to safeguard pension assets

This includes strong:

- ICT infrastructure
- Risk management systems

- Internal controls
- Insurance (fidelity & asset protection)

Must meet PenCom's 2026 minimum capital requirement:

₦25 billion + 0.1% of Assets Under Custody (AUC)
This applies immediately to *new* license applicants.

PenCom Requirements for PFC License

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Below is the **full, official checklist**, reorganised in table format for clarity.

Table: Full Document & Compliance Checklist for PFC License

#	Requirement	Description
1	Completed Application Form (APP/02/PFC)	Official PenCom form; must be fully completed and signed.
2	Application Fee (₦3,000,000)	Paid through Remita; non-refundable.
3	Certificate of Incorporation	CTC required.
4	CAC Forms (C02, C06, C07) or Status report	Ownership, share capital & directors.
5	Memorandum & Articles of Association	Must restrict activities **solely** to PFC operations.
6	Evidence of Minimum Capital Deposit	₦25 billion + 0.1% of AUC deposited in escrow/approved bank.
7	Detailed Business Plan	5-year financial projections + operational plan.
8	Ownership Structure	List of all shareholders (5%+ beneficial owners).
9	Board Profiles & CVs	Fit-and-proper criteria must be met.

#	Requirement	Description
10	Personal Profile Forms (APP/PPF/01)	For directors & senior management.
11	Attestation Forms	Confirming no history of fraud or financial misconduct.
12	Sample Custody Agreement	Template draft for PFC-PFA contractual relationship.
13	ICT Infrastructure Documentation	System architecture, cybersecurity features, data integrity framework.
14	Internal Control & Risk Management Framework	Standard operating procedures and compliance structure.
15	Insurance Coverage	Fidelity guarantee + insurance on assets.
16	Parent Company Documentation	Including licences, certificates, audited accounts (5 years).
17	Undertaking to Hold Assets in Trust	Mandatory PenCom wording confirming exclusive control by PFAs.
18	Any other document requested by PenCom	Case-by-case clarifications.

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This table represents the *complete*, PenCom-published list of requirements.

Step-by-Step Process for Obtaining a PFC License in Nigeria

Here is the official sequence of actions every applicant must follow.

Step 1: Internal Preparation & Corporate Structuring

Before contacting PenCom, ensure:

- Correct company incorporation

- MOA/Articles restrict business to custody services
- Parent company(ies) meet ownership and solvency requirements
- ICT systems are designed and documented
- Insurance arrangements are lined up

This stage determines whether your application will even be considered.

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Step 2: Complete the APP/02/PFC Form & Gather All Documents

The application form requires:

- Company details
- Ownership disclosures
- Investment of capital
- Governance structure
- Internal controls
- ICT capabilities

All supporting documents (listed in the table above) must be attached.

Step 3: Pay Application Fee (₦3 Million)

Payment is made via Remita and attached to the application.

Step 4: Submit Application to PenCom

The application is addressed to:

The Director-General, National Pension Commission (PenCom), Abuja.

PenCom begins evaluation for completeness, compliance and suitability.

Step 5: PenCom Screening & Issuance of Approval-in-Principle (AIP)

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If documents are satisfactory:

- PenCom issues an **Approval-in-Principle (AIP)**
- AIP is valid for **3 months**
- Applicant must satisfy pre-commencement requirements within those 3 months

AIP does **not** authorise operation but confirms you passed the first regulatory stage.

Step 6: Fulfil Pre-Commencement Requirements

These include:

- Payment of **₦10 million license fee**
- Full installation of ICT systems

- Insurance activation
- Recruitment of key staff
- Physical office inspection by PenCom
- Submission of shareholders' register
- Internal control framework finalisation

This stage is the most technical and operationally demanding.

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Step 7: PenCom Final Verification

PenCom will:

- Inspect premises
- Review ICT systems
- Interview board/management
- Verify escrowed capital
- Confirm accuracy of declarations

If all conditions are met, PenCom proceeds to the final stage.

Step 8: Issuance of PFC License

Once licensed, the institution can legally:

- Hold pension assets
- Perform settlement on PFAs' instructions
- Report to PenCom daily/week-month as required

Ongoing compliance begins immediately after licensing.

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Cost Breakdown for Obtaining a PFC License in Nigeria (2026)

Table: Licensing Costs

Cost Item	Amount (₦)	Description
Application Fee	3,000,000	Non-refundable
License Fee	10,000,000	Payable before issuance
Minimum Capital	25,000,000,000 + 0.1% AUC	Must be deposited in escrow
Operational Set-Up Costs	Variable	ICT, insurance, compliance infrastructure

The capital requirement is the largest barrier to entry and is *strictly enforced*.

Understanding the 2025 Minimum Capital Requirement: ₦25 Billion + 0.1% AUC

PenCom's Circular of **26 September 2025** introduced a new capital adequacy model.

For NEW PFC applicants:

- Minimum capital = **₦25 Billion**, immediately applicable
- Plus **0.1% of Assets Under Custody (AUC)** (increasing as assets grow)

Why PenCom Updated the Capital Requirement

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- Rapid growth of pension AUM
- Technology-driven custody operations
- Cybersecurity risk escalation
- Global best practice alignment

This change ensures only institutions with deep financial capacity can safeguard pension funds.

Timeline for Completing the Licensing Process

Stage	Estimated Duration
Internal preparation	1–3 months
Compilation & submission	1 week
PenCom review & AIP issuance	4–12 weeks
Pre-commencement compliance	3 months (AIP validity)
Final inspection & licensing	2–6 weeks

Stage	Estimated Duration
Total Estimated Timeline	**3–6 months**

Actual timelines depend heavily on document completeness and capital readiness.

Common Misconceptions About PFC Licensing

1. “The old ₦2 billion capital requirement still applies.”

Incorrect. PenCom has replaced this with **₦25 billion + 0.1% AUC**.

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2. “Any financial institution can operate as a PFC.”

Wrong. Only Nigerian incorporated companies **solely dedicated to custody services** qualify.

3. “PenCom does not interview directors.”

False. PenCom routinely conducts fit-and-proper interviews.

4. “ICT requirements are minimal.”

No. PFC ICT systems must support real-time reconciliation, cybersecurity standards, and automated reporting.

5. “Capital must be fully spent.”

Not true. The capital is *deposited* and held as proof of financial capacity.

Frequently Asked Questions (FAQs)

1. What is a Pension Fund Custodian in Nigeria?

A PFC is a licensed institution responsible for holding and safeguarding all pension assets, settling transactions instructed by PFAs, and reporting to PenCom.

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2. How much capital do I need for a PFC license?

You need **₦25 billion + 0.1% of Assets Under Custody (AUC)** deposited in escrow as required by PenCom's 2025 circular.

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3. How long does it take to get a PFC license?

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Typically **3–6 months**, depending on document readiness and PenCom reviews.

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4. Can a foreign company apply?

Yes, but the applicant must be **incorporated in Nigeria**, and foreign owners must supply audited accounts and beneficial ownership details.

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5. What fees do I pay to PenCom?

- ₦3,000,000 application fee
- ₦10,000,000 license fee

Capital requirement is separate.

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6. Does PenCom conduct physical inspections?

Yes, ICT systems, documentation, risk controls, and office premises are all inspected before the final license is issued.

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7. Can a PFC perform any business other than custody?

No. PenCom requires PFCs to operate **exclusively** as custodians.

Final Checklist Before Submission

- Correct company incorporation
- MOA/Articles restricted to custody operations
- APP/02/PFC form completed
- ₦3M application fee paid
- Evidence of ₦25bn+ capital deposit
- All supporting documents assembled
- ICT & insurance documentation prepared
- Qualified Board & management selected
- Custody agreement drafted

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When all above are ready, your institution is fully prepared to file a professional, compliant PFC license application.

Conclusion

Obtaining a **Pension Fund Custodian License in Nigeria** is a rigorous but achievable process for financial institutions with the right structural, technical, and capital capabilities. With the updated 2025 capital framework, only the most robust organisations can enter this highly regulated sector.

If your institution is planning to apply, this guide provides a **complete, publish-ready, authority-level roadmap** drawn 100% from official PenCom documents.

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