

PenCom



REGULATIONS FOR COMPLIANCE OFFICERS

RR/P&R/09/03

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National Pension Commission

About this Guidelines

The Regulations for Compliance Officers is divided into four (4) sections.

Section one is the introduction while Section two spells out requirements for the appointment of a compliance officer

Section three and four addresses the responsibilities of the Board of Directors, the Compliance Officers and the empowerment of the Compliance Officer respectively.

The requirements of these Regulations are consistent with the provisions of the Pension Reform Act, 2004 and are also considered enforceable within the Industry.

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REGULATIONS FOR COMPLIANCE OFFICERS

1.0 INTRODUCTION

1.1 Background

1.1.1 One of the primary areas of concern for regulators worldwide is compliance, and in this regard, the pension industry is not an exemption. Concern for compliance arose basically as a result of the recent rise in corporate corruption and increasingly stringent legal requirements for business operations. Also, the liquidation of some distressed banks in the Nigeria banking industry has revealed the importance of compliance in any successful enterprise. This underscores the significance of a compliance officer in any organization. A Compliance Officer is therefore a person who does not only see that processes and procedures of the organization where he works are followed, but also ensures the strict compliance with guidelines as set out by law and reports breaches to the appropriate authorities.

1.1.2 The main objective of compliance in the Nigerian pension industry is making sure that the system is

effective and efficient through ensuring adherence to rules and regulations as stipulated in the Pension Reform Act, 2004, and the circulars and guidelines issued by the National Pension Commission. This is aimed at achieving the set goals of providing sustainable pension to the deserving retired employees. Specifically, Section 68 of the PRA 2004 stipulates that every Pension Fund Administrator (PFA) (which includes the CPFAs), shall employ a Compliance Officer who shall be responsible for ensuring compliance with the provisions of the Act, any rules and regulations made there under and the internal rules and regulations made by the Pension Fund Administrator. It further provides that a Compliance Officer must have relevant professional and cognate experience and he/she shall report to the CEO of a PFA and the Commission, on any violations.

1.2 Definitions

1.2.1 The scope of compliance is broad and could be subject to many definitions. However, in its most basic form, it refers to structures

- put in place that enables an organization comply with Laws, Rules and Regulations.
- 1.2.2 Compliance is not limited to compliance with rules and regulations; it is a value, a culture and a function standing on its own, which also oversees adherence to laws. The compliance function simply ensures that a company’s activities are in conformity with the law.
- 1.2.3 A broader perspective would see compliance as conducting business using the International Best Practice methodology, for example; with regards to gaining market confidence, customer focus, having a sound working relationship with the regulator, etc.
- 1.2.4 In the pension industry, compliance shall be viewed as adherence to provisions of the PRA 2004, regulations, circulars, codes and guidelines issued by the Commission, with the ultimate goal to provide easy access to retirement benefits by all retired workers, as and when due.
- 1.2.5 Compliance is, therefore, the framework that shall provide an operator within the Nigerian pension industry with the platform for business continuity.
- 1.2.6 “Good compliance culture” would invariably mean “good business”.
- 1.3 Purpose**
- 1.3.1 This document sets out the Framework for the appointment of Compliance Officers and outlines the basic responsibilities of the compliance function.
- 1.3.2 The regulations provide guidelines for Compliance Officers to carry out their functions effectively and efficiently.
- 1.3.3 It distinguishes the role of the Compliance Officer from that of the Internal Auditor.
- 1.3.4 It aims at setting out ways by which stakeholders should collectively operate in the best interest of the pension industry and protect its integrity.
- 1.3.5 It addresses how the Compliance Officer can handle the problem of information asymmetry or irregularities that may exist between the operators and their customers.
- 1.3.6 It aims to promote good corporate culture and professional ethics within the industry.

1.4 Form and Content

1.4.1 The requirements of this document are in conformity with the provisions of the Pension Reform Act 2004 and are considered transparent and enforceable.

1.4.2 The Regulations contain such qualities as diligence and efficiency that Compliance Officers would be required to exhibit, while carrying out the roles entrusted them, to the best of their abilities.

1.4.3 It specifies the criteria for the appointment of Compliance Officers.

1.4.4 It also explains the consequences for non-compliance.

1.4.5 The Regulations are divided into three main sections that deal with the following:

- Appointment of a Compliance Officer
- Roles and Responsibilities of the Compliance Officer
- Empowerment of the Compliance Officer

2.0 APPOINTMENT OF A COMPLIANCE OFFICER

2.1 Skills Requirements

2.1.1 A Compliance Officer shall only be appointed if he:

- i. Possesses a minimum educational qualification of first degree or its equivalent or professional qualification in Accounting, Actuarial Science, Auditing, Finance, Economics, Commerce, Law, or in any other numerate or semi numerate field.
- ii. Possesses good understanding of financial records and relevant regulatory requirements.
- iii. Is computer literate.

2.1.2 The status of a Compliance Officer shall not be below the status of a Head of Department, at the minimum.

2.2 Personal Qualities/Requirements

2.2.1 A Compliance Officer shall, irrespective of his grade, satisfy the fit and proper persons' requirement.

2.2.2 Pursuant to 2.2.1 above, a candidate for the position of Compliance Officer shall go through the processes that may be specified by the Commission, from time to time, in determining whether he is fit and proper.

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| 2.2.3 | A Compliance Officer must be honest, impartial, candid and must possess a high level of integrity. | 2.2.11 | He must have in-depth knowledge of the company's activities in order to work effectively. |
| 2.2.4 | A Compliance Officer must be firm but fair and must have the ability to remain calm under pressure, deal with delicate situations and appropriately define priorities. | 2.2.12 | He must have sound business judgment and the ability to pro-actively look at markets and regulatory trends and identify existing and emerging compliance issues. |
| 2.2.5 | A Compliance Officer must possess strong oral and written ability in English language. | 2.2.13 | The PFA/PFC may seek for expert external assistance with regards to the compliance function, whenever required, to strengthen existing internal skills. |
| 2.2.6 | A Compliance Officer must have good interpersonal skills and must be a team player, who can also work with his own initiatives. | 2.2.14 | A Compliance Officer shall have primary responsibility towards the Pension Scheme as applied by his PFA and shall maintain good and close liaison with the Commission. |
| 2.2.7 | A Compliance Officer must be confident, have a desire and passion for excellence and be committed to self-development. | | |
| 2.2.8 | A Compliance Officer must have the ability to interpret and apply legislations, regulations, guidelines and other regulatory requirements as stated in the PRA 2004, and/or issued by the Commission. | | |
| 2.2.9 | A Compliance Officer must have adequate seniority and authority to effectively carry out his functions. | | |
| 2.2.10 | A Compliance Officer must possess the ability to effectively defend his position on issues. | | |
| | | 2.3 | Approval Process |
| | | 2.3.1 | Compliance Officers are key to the creation of a compliance culture within the industry. It, therefore, behoves the operator (PFA/PFC) to ensure that a candidate for the position of Compliance Officer possesses adequate knowledge relevant for the efficient and effective discharge of his duties. To that effect, each Operator (PFA/CPFA or PFC) shall ensure that the candidate being considered for the position of Compliance |

- Officer undergoes thorough assessment before being engaged.
- 2.3.1.1 The assessment shall, amongst other issues, focus on the extent of the candidate's knowledge/ awareness of the following:
- I. Provisions of the Pension Reform Act 2004;
 - II. Operations of PFAs/PFCs;
 - III. Relationship between PFAs and PFCs; and
 - IV. Relationship between PenCom, PFAs and PFCs.
- 2.3.3 The Operator shall put adequate plans in place for the orderly succession of an exiting Compliance Officer.
- 2.3.4 The Operator shall notify the Commission of the exit of a Compliance Officer and the reasons for such exit, within seven (7) days of the exit.
- 2.3.5 In the case of a sudden exit of a Compliance Officer, the Operator shall appoint a person in an acting capacity for a maximum period of six months within which period the PFA shall recruit a suitable candidate for the position.
- 2.3.6 Before any acting appointment is made, consideration shall be given to the ability of the individual to maintain appropriate balance in terms of skills and expertise.
- 2.3.7 The Operator shall seek, in writing, the Commission's approval for the appointment of a Compliance Officer, whether in acting or a substantive capacity.
- 3.0 ROLES AND RESPONSIBILITIES**
- 3.1 Responsibilities of the Board of Directors**
- 3.1.1 The Board shall have the primary responsibility for the compliance function, as it shall oversee the management of the organisation's compliance risk.
- 3.1.2 The Board shall approve the compliance policy of the Organisation.
- 3.1.3 A compliance policy would not be effective unless the Board actively promotes the values of honesty and integrity throughout the organisation.
- 3.1.4 The Board shall set policy and guidelines for the appointment of a Compliance Officer.
- 3.1.5 The Board shall approve the appointment and if necessary, dismiss a Compliance Officer in line with the guidelines set out in

- Sections 2.0 and 4.3.6 of this document.
- 3.1.6 At least once a year, the Board or a Committee of the Board shall identify and assess the extent to which the Operator is managing its compliance risks.
- 3.2 Responsibilities of the Compliance Officer**
- 3.2.1 The Compliance Officer shall carry out compliance audits covering all operational areas.
- 3.2.2 The Compliance Officer shall identify potential problem areas and recommend appropriate solutions.
- 3.2.3 The Compliance Officer shall continuously monitor and ensure implementation of regulations, codes, rules and guidelines, as may be issued from time to time, by the Commission.
- 3.2.4 The Compliance Officer shall be responsible for the preparation of compliance reports on monthly and quarterly basis to the Board and the Commission.
- 3.2.5 The Compliance Officer shall be responsible for identifying and monitoring corporate/investment activities and policy initiatives, as the case may be, with a view to identifying issues and ensuring compliance in accordance with the provisions of the PRA 2004.
- 3.2.6 The Compliance Officer shall ensure that appropriate levels of confidentiality and discretion are maintained throughout the compliance monitoring processes.
- 3.2.7 The Compliance Officer shall be responsible for full disclosure and reporting of violations to appropriate authorities, including the Commission.
- 3.2.8 The Compliance Officer shall be responsible for informing the company about the standards for conduct and ethical obligations required of the company.
- 3.2.9 The Compliance Officer shall help create and promote a positive compliance attitude and culture within the company.
- 3.2.10 The Compliance Officer shall ensure that all investments and other operational transactions comply with all relevant legislations, regulations and policies through appropriate control systems in order to minimize and mitigate risks.
- 3.2.11 The Compliance Officer shall ensure that a suitable code of

conduct exists in the organization.

3.2.12 The Compliance Officer shall ensure that information given to customers are clear, straight-forward and not misleading.

3.2.13 The Compliance Officer shall ensure that appropriate remedial or disciplinary action is taken, if breaches are identified.

3.2.14 The Compliance Officer shall be responsible for monitoring and testing new compliance technologies and procedures such as intelligent transaction monitoring systems, etc.

3.2.15 The Compliance Officer shall advise Management on compliance issues and keep them informed on developments in this area.

3.2.16 The Compliance Officer shall monitor regulatory changes and ensure the dissemination of regulatory updates of regulations, rules or guidelines and periodic compliance changes to concerned offices/officers.

3.2.17 The Compliance Officer shall be responsible for considering ways of measuring compliance risk (i.e. using performance

indicators) and the use of such measurements to enhance compliance risk assessment.

3.2.18 A Compliance Officer shall be personally liable for the breaches of the organization, except where there is evidence of decisive steps taken by him/her to address or avert such breaches.

3.2.19 The personal liability of a Compliance Officer does not exonerate the PFA/PFC and/or other officials from liability under the PRA 2004 in appropriate cases.

3.3 Placement of the Compliance Officer

3.3.1 The organisational structure of the Operator shall include a Compliance Department that reports directly to the MD/CEO, in view of his critical status under the PRA 2004.

3.3.2 The Department shall carry out its tasks under the supervision of the Compliance Officer.

3.3.3 The responsibilities of the Department shall be clearly specified, in line with the responsibilities outlined in section 3.2 of this document.

- 3.3.4 The Compliance Department shall not be jointly located with the Internal Audit and Risk Management Department/Unit.
- 3.3.5 Further to 3.3.4 above, the functions of the Compliance Department shall be clearly delineated from that of the Internal Audit and Risk Management Department/Unit.
- 3.3.6 In line with 3.3.5 above, the Compliance Department shall focus on activities that assess, determine and ensure compliance by the Operator, with laws, policies, rules and guidelines, both internal and external. It is expected that internal policies and processes shall be tailored to be in tandem with external requirements.
- 4.0 EMPOWERMENT OF THE COMPLIANCE OFFICER**
- 4.1 Compliance Policy**
- 4.1.1 For compliance to be effective, the Operator shall establish and tenaciously implement a robust compliance policy, which shall provide a foundation for the compliance culture.
- 4.1.2 The Compliance Officer shall have the responsibility for developing a written compliance policy.
- 4.1.3 The compliance policy of an Operator shall contain both general standards for all staff members and those that only apply to specific groups of employees.
- 4.1.4 The compliance policy shall contain the fundamental principles which the executives and other staff should abide by.
- 4.1.5 The policy shall help to educate staff on the main processes by which compliance risks are to be recognised and managed within the company.
- 4.1.6 The policy shall empower employees to report violations of rules and regulations without fear of victimisation, in line with guidelines that may be specified by the Commission from time to time.
- 4.1.7 For implementation of the policy, the Compliance Officer shall establish a communication programme, which shall include, among others, a suggestion box, questionnaires, and volunteering to report on violations. Such shall include quarterly compliance surveys covering all employees.
- 4.1.8 The Compliance Officer shall have the responsibility for ensuring the confidentiality of the petitioner, in

- 4.1.7 above or an employee volunteering relevant information.
- 4.1.9 Annual appraisal of staff shall include compliance related objectives with the sole aim of influencing the behaviours of employees.
- 4.1.10 The Compliance Officer shall develop and implement proactive strategies for identifying potential risks.
- 4.1.11 Pursuant to 4.1.10 above, the strategies shall include guidelines regarding performance, ethics and risks.
- 4.2 Rights and Privileges**
- 4.2.1 A Compliance Officer shall have the right to communicate with any member of staff and have access to any document to enable him/her perform his/her duties effectively and efficiently.
- 4.2.2 A Compliance Officer shall have the right to require any staff to promptly supply information and explanations as may be required by the relevant authorities.
- 4.2.3 The Compliance Officer or Head, Compliance Department shall have the right to attend all management meetings of the Operator, and shall not be limited to management and investment meetings, though not necessarily as a member.
- 4.2.4 Where not a member, contributions of the Compliance Officer at such meetings shall be to the extent of re-focusing deliberations/decisions to be in compliance with regulatory requirements and internal policies.
- 4.2.5 The Compliance Department shall be supported with adequate resources, office infrastructure and personnel, to enable its efficient and effective operation.
- 4.2.6 The Compliance Officer shall have the right to demand and obtain minutes of Board and Board Committees' meetings, to keep abreast with deliberations and decisions reached at such meetings.
- 4.2.7 In order to keep abreast with developments, the Compliance Officer or his representative shall mandatorily attend all meetings, with the Commission, along with other relevant officers, including the monthly Consultative Forum with Operators.
- 4.3 Protection Code**
- 4.3.1 The Operator shall be required to submit the condition of service and/or letter of employment of the

- Compliance Officer to the Commission.
- 4.3.2 The Operator shall not in any way delay or deny a Compliance Officer his entitlements in terms of promotions, salary increases, commendations, trainings or any other form of compensation or reward.
- 4.3.3 The Operator shall perform an unbiased appraisal of the Compliance Officer on an annual basis and shall forward a copy of such appraisal to the Commission.
- 4.3.4 The Operator shall have the burden of proof in the case of a negative assessment in 4.3.3 above, to the Commission.
- 4.3.5 Any salary review or incentive that will affect the Compliance Officer negatively shall be referred to the Commission for approval, before implementation.
- 4.3.6 No Operator shall dismiss or terminate the appointment of a Compliance Officer without the prior consent of the Commission.
- 4.3.7 No Operator shall re-deploy a Compliance Officer to handle other functions without the prior approval of the Commission.
- 4.3.8 In the case of 4.3.6 and 4.3.7 above, the Operator shall furnish the Commission with concrete justification for its proposed actions.
- 4.3.9 The Compliance Officer shall have the right to make to the Commission, any such complaint, in writing, against his employer, as he may deem necessary.
- 4.4 Training**
- 4.4.1 Skills, motivation and continuous training are vital to the efficiency of the compliance function.
- 4.4.2 Adequate Training shall keep Compliance Officers and indeed other staff, updated with developments.
- 4.4.3 The Operator shall ensure that the Compliance Officer attends training programmes aimed at addressing identified knowledge gaps.
- 4.4.4 An individual occupying the position of Compliance Officer in an organization shall attend training workshops to be organised by the Commission for Compliance Officers.
- 5.0 Review and Enquiries**
- 5.1 These Guidelines shall be subject to review by the Commission from time to time as the need arises.
- 5.2 All enquiries regarding these Guidelines shall be directed to the Director General, National Pension Commission.