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# **SEC APPROVAL FOR PENSION FUND ADMINISTRATORS TO ISSUE COMMERCIAL PAPERS SPARKS PENCOM'S REBUTTAL**

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The recent approval by Nigeria's Securities and Exchange Commission (SEC) allowing Pension Fund Administrators (PFAs) to issue commercial papers has stirred significant debate, with the National Pension Commission (PENCOM) challenging SEC's authority on the matter. The approval has opened doors for PFAs to access short-term financing through commercial papers, which could be utilized to meet liquidity needs and support portfolio growth. However, PENCOM's swift opposition underscores concerns about regulatory jurisdiction and the potential implications for the stability of Nigeria's pension funds.

Commercial papers, which are unsecured, short-term debt instruments used primarily for funding working capital, offer a flexible alternative for organizations seeking immediate cash flow. In allowing PFAs to engage in commercial paper issuance, the SEC has signaled an intent to diversify PFAs' financing options, enabling them to sustain their liquidity levels while also aligning with broader market practices. This move could theoretically enhance the financial flexibility of PFAs and provide avenues to buffer their funds, especially under the pressures of volatile markets.

PENCOM, however, has raised strong objections, asserting that such authority lies within its jurisdiction as the sole regulator of Nigeria's pension industry. According to PENCOM, the approval conflicts with provisions of the Pension Reform Act 2014, which gives it exclusive oversight of pension fund operations in the country. In its rebuttal, PENCOM emphasized that it had neither sanctioned such activities nor granted PFAs the liberty to issue commercial papers, a stance driven by concerns over maintaining the financial security and conservative investment mandates of pension funds.

This regulatory conflict has placed PFAs in a challenging position, with the viability of issuing commercial papers now clouded by regulatory uncertainty. For now, PFAs remain in a holding pattern, as discussions between SEC and PENCOM are ongoing. Many industry experts believe that an inter-agency collaboration and clarification of roles are necessary to maintain stability and confidence within the financial system.

At present, PFAs are effectively unable to raise commercial papers until the dispute is resolved, with PENCOM's jurisdiction as the current prevailing standard. However, in an attempt to address the issue, SEC has released proposed rules for the issuance of commercial papers which will form part of the regulatory framework of commercial paper issuance in Nigeria. The outcome of this dispute will likely set a precedent for future regulatory actions and collaborative frameworks between the SEC, PENCOM, and other financial regulators.

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