
The dawn of foreign currency pension contributions in Nigeria:

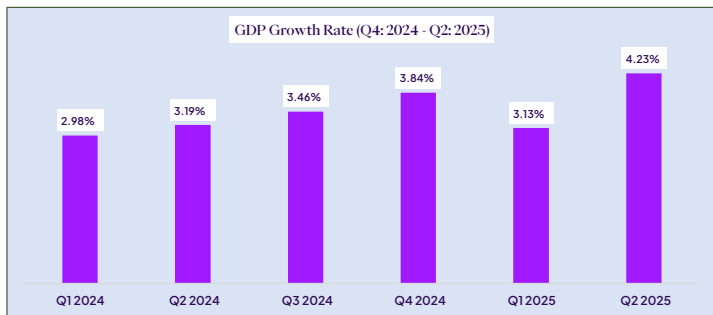
A landmark reform for the pension industry.



Q3 2025 Macro Economic Update

GDP

Nigeria's economy strengthened notably in Q3 2025, supported by improving macroeconomic stability, stronger sectoral output and rising investor confidence. GDP growth accelerated to 4.2% in Q2 2025, the highest since 2021, driven by a rebound in agricultural production, higher crude oil output, and sustained expansion in ICT and financial services. This improvement was underpinned by more predictable foreign exchange market conditions and better access to FX, which helped restore business sentiment. In nominal terms, GDP rose by 19.23% to ₦100.73 trillion in Q2, bringing the economy's size to ₦194.78 trillion for the first half of 2025.

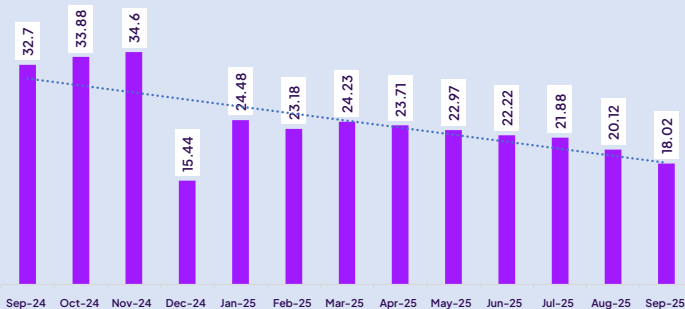


Source: NBS

Inflation

Inflation continued its downward trend, easing to 18.0% in September from earlier peaks, supported by improved food supply, declining logistics costs and sustained naira stability. Food inflation moderated to 16.9%, while month-on-month inflation averaged 1.8% since February, reflecting the impact of tight monetary conditions.

Inflation Rate (Sept 2024 - Sept 2025)



Source: NBS

Exchange Rate And External Reserves

The foreign exchange market recorded significant progress during the quarter. The naira appreciated steadily, strengthening to ₦1,460.5/US\$ in October from ₦1,629.9 in April, as improved oil receipts, rising portfolio inflows and more transparent FX operations under the NFEM window supported market confidence.

External Reserves up by over US\$5 billion in Q3 2025, rising from US\$37.8 billion in June to US\$42.9 billion in October, reversing months of decline. Increased foreign participation in the fixed-income market, smoother price discovery at the NFEM window, and higher domestic fuel production all contributed to stronger FX liquidity and greater stability. This upward trend underscores stronger foreign exchange liquidity, which has eased pressure on the naira and enhanced the CBN's capacity to sustain currency stability. The growing reserves also provide a firmer buffer against external shocks, reinforcing investor confidence in Nigeria's external position and overall macroeconomic resilience.

Monetary Policy

The Central Bank of Nigeria responded to the improving macroeconomic environment by lowering the Monetary Policy Rate to 27% at its September meeting, the first adjustment of the year after months of holding rates steady. The MPC complemented this move by widening the Standing Facilities corridor and cutting the Cash Reserve Ratio for banks by 5%, while raising CRR on non-TSA public deposits to better manage liquidity.

Financial Market Update

Equities

The NGX ASI gained 18.95% in Q3 2025, to close the quarter at 142,710.48. The Banking Index rose 18.25%, the Consumer Index increased by 27.89%, the Oil & Gas Index increased by 3.51% and the Industrial Goods Index increased by 39.32%. Insurance names were some of the top gainers seen in the quarter. However, the names that most impacted the All-share Index regarding price gains were: BUAFOODS, BUACEMENT, DANGCEM, MTNN and WAPCO. On the losers' end, the most impactful names were OANDO, TOTAL, CONOIL, PZ and ETERNA.

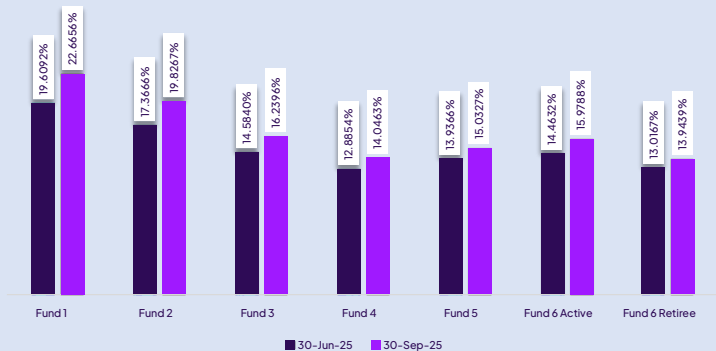
Driven by renewed optimism following FX stability, improved earnings expectations for H2 2025 and heightened interest in consumer, industrial and telecoms sectors. July was the standout month, marked by aggressive positioning ahead of earnings, major off-market block deals including GTCO's dual listing and the large cross in FBN Holdings and significant rallies in cement and telecoms stocks. Market momentum softened in August and September as investors reassessed valuations and awaited bank earnings that later revealed increased impairment costs. Nonetheless, the quarter closed firmly positive, supported by strength in cement, food producers and telecoms, while the largest block trade of the year a 691.96 million unit cross in Aradel Holdings added depth and liquidity to the market.

The ASI gained 16.57% in July, gained 0.31% in August and gained 1.72% in September 2025.

Fixed Income

Nigeria's fixed income market experienced a significant repricing in Q3 2025 as yields declined across the curve, reflecting renewed macroeconomic stability and improved investor confidence. The FGN bond yield curve recorded a sharp downward and flattening shift, with average yields dropping to 16.3% in Q3 from 18.4% in Q2 and nearly 20% in late 2024. This adjustment highlights stronger sovereign credibility, better-anchored inflation expectations and an easing perception of domestic risk. The moderation extended to the Treasury Bills market, where average NTB yields fell to 17.9% in Q3 from 20.2% in Q2 and 25.5% in Q4 2024. Improved liquidity conditions, reduced government borrowing pressures and sustained demand for short-tenor instruments all contributed to the decline. Overall, the shift in both the bond and T-bill curves underscores a more favourable macroeconomic environment and a strengthening fixed income market ahead of Q4.

FCMB Pensions Investment Performance: 3-Year Annualised Returns



The dawn of foreign currency pension contributions in Nigeria

In a groundbreaking move to deepen financial inclusion and expand the Contributory Pension Scheme (CPS), the National Pension Commission (PenCom) has released new Guidelines on Foreign Currency (FCY) Pension Contributions. Announced in September 2025, this historic reform allows Nigerians living abroad and those earning in foreign currency within Nigeria to contribute and grow their pension savings in U.S. dollars (USD).

The initiative, issued under the authority of the Pension Reform Act (PRA) 2014, represents a major step toward globalizing Nigeria's pension administration. It empowers Licensed Pension Fund Operators (LPFOs) to accept, manage, and invest foreign currency contributions under a well-structured and transparent framework that aligns with international best practices. The reform reflects PenCom's commitment to broadening pension coverage, safeguarding contributors' funds, and ensuring accountability and compliance with financial intelligence regulations.

This edition of our newsletter highlights the newly introduced Foreign Currency (FCY) Pension Contribution Guidelines — detailing key provisions on eligibility, contribution structure, withdrawal rules and access conditions, compliance controls, investment framework, and tax treatment.

Eligibility and Participation

The FCY Pension Contribution Scheme is designed to accommodate a wide range of contributors. Eligible participants include:

- Nigerians living and working abroad;
- Nigerians employed by foreign or international organisations in Nigeria; and
- Foreign nationals working in Nigeria who earn all or part of their income in foreign currency.

To participate, contributors must provide essential identification such as a National Identification Number (NIN), International Passport, and details of their next-of-kin and beneficiaries. They must also complete Know Your Customer (KYC) verification in compliance with anti-money laundering and counter-terrorism financing regulations.

Contribution and Account Structure

All contributions under this scheme are to be denominated in U.S. dollars, even for individuals earning in other foreign currencies. In such cases, the funds must first be converted to dollars before remittance. Pension Fund Administrators (PFAs) will manage these contributions in a separate fund of Retirement Savings Accounts (RSAs) created for foreign currency contributions.

Each contributor's Retirement Savings Account (RSA) will contain two segments:

- 60% Contingent Portion – accessible for limited withdrawals before retirement;
- 40% Pension Portion – reserved strictly for retirement benefits.

Funds must remain in the RSA for a minimum of six months before any withdrawal is allowed. Contributors are permitted to make temporary withdrawals twice a year, provided proper notice is given to their Pension Fund Administrator (PFA).

Remittance Channels and Banking Procedures

Nigerians living abroad will remit their contributions through Non-Resident Nigerian Ordinary Accounts (NRNOAs) in line with the Central Bank of Nigeria's requirements. Meanwhile, those residing in Nigeria but earning in dollars will use domiciliary accounts opened with the collecting Bank of the Pension Fund Custodian (PFC) and remit pension contributions from the domiciliary accounts to the foreign currency collection account of the PFC/PFA. Importantly, banks are prohibited from charging fees on such foreign currency transfers, ensuring that contributors' savings are fully preserved.

Oversight, Reporting, and Transparency

PenCom has outlined a robust monitoring system to ensure transparency and protect contributors' funds. Under the guidelines:

- Pension Fund Custodians must notify PFAs within 24 hours of receiving contributions.
- PFAs must in turn inform contributors within the same timeframe.
- Any uncredited contribution after 48 hours must be returned immediately to the sender.
- Additionally, all foreign currency contributions exceeding \$10,000 must be reported to the Nigeria Financial Intelligence Unit (NFIU) within 24 hours. Suspicious transactions are to be flagged in accordance with national and international anti-financial crime laws.

Investment and Fund Management

To ensure capital safety and optimize returns, PenCom mandates that all dollar contributions be pooled into a Foreign Currency Dollar Fund, to be managed by PFAs under strict investment rules. Approved investment options include:

- Dollar-denominated government bonds and Eurobonds;
- Supranational and corporate bonds listed on reputable exchanges;
- Real estate investment trusts (REITs), private equity, infrastructure, and exchange-traded funds (ETFs) meeting disclosure standards.

- PFAs may also invest in naira-denominated instruments, provided that currency risks are hedged through Central Bank-approved futures or swaps. This ensures contributors' funds remain stable despite exchange rate fluctuations.

Accessing Retirement Benefits

Contributors may access their retirement benefits upon attaining 50 years of age or earlier due to medical reasons. They may choose to receive their payments in dollars or naira, depending on preference.

Those joining the scheme after age 50 are allowed to withdraw their entire contributions once due process is completed. Limited pre-retirement withdrawals are also permitted twice a year, provided the funds have stayed in the RSA for at least six months.

Tax Implications

The guidelines reaffirm that pension contributions and accrued interest remain tax-exempt. However, withdrawals made within five years of contribution will be taxed on income earned. Pension Fund Custodians are required to remit such taxes to the relevant authorities within 21 days of deduction, ensuring full compliance with Nigerian tax laws.

Conclusion

The introduction of the Foreign Currency Pension Contribution Guidelines represents a forward-thinking and inclusive reform in Nigeria's pension sector. It opens new opportunities for Nigerians abroad and dollar-earning professionals to secure their retirement while contributing to the stability and diversification of Nigeria's financial system.

Ultimately, this initiative underscores PenCom's unwavering commitment to building a robust, transparent, and globally aligned pension system—one that guarantees retirement security and dignity for every Nigerian worker, regardless of location or currency of income.

For further information, guidance or clarification on this or any of our product offerings, please feel free to contact us via any of our service channels or visit www.fcmbpensions.com.



Disclaimer: The views and statements expressed in this newsletter are those of FCMB Pensions Limited. While every effort has been made to ensure the accuracy and completeness of the information provided, readers are advised to verify the facts and consult appropriate professionals before making any decisions based on the content shared.

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