



EXPOSURE OF PROPOSED AMENDMENT TO THE COMMISSION'S RULES ON ANNUAL SUPERVISION FEES FOR COLLECTIVE INVESTMENT SCHEMES

Details of the proposal are as follows:

Legend:

Additions are underlined

Deletions are ~~struck through~~

Justifications are *italicized*

Full Text of Existing Rule:

Rule on Annual Supervision Fees for Collective Investment Schemes

(1) All CIS fund managers shall pay annual supervisory fees of 0.2% of the net asset value of the CIS under management not later than 31st January of every year to the Commission, failing which the fund manager shall be liable to a penalty of N100,000 and a further sum of N5,000 for every day of default.

(2) Every fund/portfolio manager shall pay the following annual regulatory fees not later than 31st January to the Commission -

a. 0.25% of the total net asset value of all discretionary and non-discretionary funds/portfolios (other than CIS) under the management of the fund/portfolio manager targeted at retail investors

b. 0.01% of the total net asset value of all discretionary and non-discretionary funds/portfolios (other than CIS) under the management of the fund/portfolio manager targeted at qualified investors.

(3) A fund/portfolio manager shall be liable to a penalty of not less than N100,000 and a further sum of N5,000 for every day of default for failure to comply with (2).

Proposed Amendment:

Annual Supervisory and Regulatory Fees for Collective Investment Schemes



(1) All CIS fund managers shall pay annual supervisory fees of 0.2% of the net asset value of the CIS under management not later than 31st January of every year to the Commission, failing which the fund manager shall be liable to a penalty of not less than N100,000 and a further sum of N5,000 for every day of default.

(2) Every fund/portfolio manager shall pay the following annual regulatory fees not later than 31st January to the Commission –

a. 0.25% of the ~~total net asset value~~ total assets under management of all discretionary and non-discretionary ~~funds~~ products/portfolios (other than CIS) under the management of the fund/portfolio manager targeted at retail investors and HNIs

b. ~~0.2%~~ 0.01% of the ~~total net asset value~~ total assets under management of all discretionary and non-discretionary ~~funds~~ products/portfolios (other than CIS) under the management of the fund/portfolio manager targeted at qualified institutional investors.

(3) A fund/portfolio manager shall be liable to a penalty of not less than N100,000 and a further sum of N5,000 for every day of default for failure to comply with (2) above.

JUSTIFICATION:

- a. *To harmonize the regulatory fees on privately managed products/portfolios with the supervisory fees on Collective Investment Schemes in respect of Institutional Investors at 0.2% given that the Commission expends the same level of resources on the supervision of both segments of the industry;*
- b. *To reverse the basis of computation of annual regulatory fees for portfolio products, from net asset value (NAV) to total asset under management (AuM). Currently, some fund managers recognize clients' assets on their statement of financial position but also reflect the corresponding clients' investments as client payables. This has a netting effect resulting in an insignificant or zero net asset value. These fund managers have relied on this computation to avoid paying the resulting annual regulatory fees. In view of this, the rules are being amended to reflect the previous provision of total AUM instead of NAV;*
- c. *To eliminate the basis for the deliberate misclassification of retail investors as HNIs by Fund Managers seeking to pay lower regulatory fees.*