

Prudential Notification

Prudential Authority Government Bond Curve

The purpose of this Prudential Notification is to inform all insurers of the amendment to the constituent data set for the Prudential Authority (PA) government bond curve.

In terms of paragraph 13.1 of Prudential Standard FSI 2.2 [Valuation of Technical Provisions], prescribed in terms of the Insurance Act, 2017 (Act No. 18 of 2017):

“Unless otherwise approved by the Prudential Authority, insurers must use the government bond curve published by the Prudential Authority as the risk-free interest rate term structure to discount cash-flows for the purposes of valuing technical provisions”

The current constituent data set in terms of which the Prudential Authority government bond curve is constructed (as published monthly), constitutes the following instruments¹ for the real curve:

- i) {SASWry1 Curncy; I2025; R210; I2029; R202; I2033; I2038; I2046; I2050}

Following a recent PA review of the constituent data set, the instruments for the real curve have been revised as follows:

- i) The I2043 is included.

With effect from 1 August 2024, the PA government bond curve will be published on the revised constituent data set, and it must be applied in terms of paragraph 13.1 of FSI 2.2. Should you have any queries, please contact PA-INFO@resbank.co.za

¹ Bloomberg quotes