

Prudential Notification

Prudential Authority Government Bond Curve

The purpose of this Prudential Notification is to inform all insurers of the amendment to the Ultimate Forward Rate (UFR) 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”

In terms of paragraph 7.3.1 of the PA Government Bond Curve Review Position Paper¹:

“The PA will adopt a method based on an adjustment of the EIOPA method to construct the UFR, namely the nominal UFR in calendar year t = the EIOPA real expected short-term rate (published in calendar year $t-1$) + the midpoint of South Africa’s inflation target range (4.5%)”

Following the announcement of the new inflation target for South Africa² on 12 November 2025, the PA will adopt a method based on an adjustment of the EIOPA method to construct the UFR, namely the nominal UFR in calendar year t = the EIOPA real expected short-term rate (published in calendar year $t-1$) + South Africa’s inflation target (3.0%).

With effect from 2 February 2026, the PA government bond curve will be published on the revised UFR, 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 <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2023/Position-Paper-on-the-Prudential-Authority-Government-Bond-Curve-Review>

² <https://www.resbank.co.za/en/home/publications/publication-detail-pages/media-releases/2025/new-inflation-target>