

Prudential Communication 11 of 2026

Insurance Act, 2017 (Act No. 18 of 2017)

Prudential Authority Government Bond Curve (PA Curve) - Replacement of the current overnight rate in the constituent data set.

Objective of this Prudential Communication

This Prudential Communication informs insurers of a change in the constituent data set of the nominal PA Curve, whereby the current overnight rate, South African rand overnight deposit rate (SADR1T), will be replaced by the South African Rand Overnight Index Average (ZARONIA).

1. Application

- 1.1 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), states that:

“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”

2. Purpose

- 2.1 The purpose of this Prudential Communication is to inform insurers of the replacement of the current overnight rate in the constituent data set of the nominal PA Curve.

3. Introduction

- 3.1 The current overnight rate, SADR1T, will be replaced by ZARONIA in the constituent data set of the nominal PA curve with effect from 30 June 2026.
- 3.2 This change reflects ongoing interest rate benchmark reform developments led by the South African Reserve Bank and the Market Practitioners Group relating to the market adoption of ZARONIA.

- 3.3 Furthermore, the change is consistent with the conclusions in Annexure B of the Position Paper on the Prudential Authority Government Bond Curve Review (Position Paper¹), which recommended a review of the short end of the PA Curve once a robust alternative overnight benchmark becomes available.

4. Assessment Conclusion

- 4.1 The PA has assessed ZARONIA and determined that it is appropriate for inclusion in the nominal PA Curve, given that it satisfies the decision considerations for curve construction articulated in the Position Paper, namely: near risk-free; transaction-based; robustly governed; supported by consistent and reliable data; underpinned by sufficient market liquidity; and not resulting in distortions to the shape of the nominal PA Curve.

5. Effective date and application

- 5.1 With effect from 30 June 2026, the nominal PA Curve will be published on the revised overnight rate, for its application in terms of paragraph 13.1 of FSI 2.2.

6. Enquiries

- 6.1 Any enquiries regarding this communication must be directed to: PA-INFO@resbank.co.za.

Fundi Tshazibana
Chief Executive Officer

Date:

¹ Position Paper on the Prudential Authority Government Bond Curve Review. More information is available from: <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>