# Memo for information

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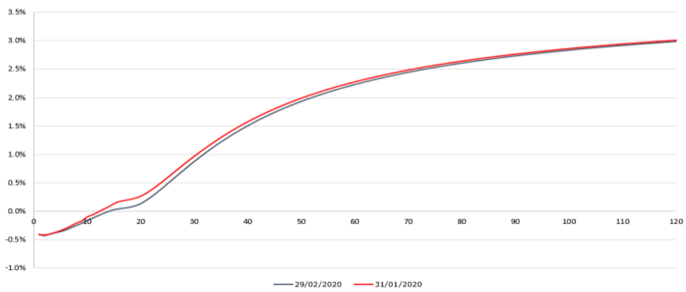
| To: | Solvency II Working Group |
| From: | Prudential Team |
| Date: | 11-03-2020 |
| Reference: | ECO-SLV-20-061 |
| Subject: | RFR monthly monitoring - February 2020 |

## Background

EIOPA publishes the technical information related to risk-free interest rate (RFR) term structures for a wide range of currencies and the symmetric adjustment of the equity capital charge monthly. The latest technical documentation for the RFR which provides EIOPA's methodology for calculation can be found here. The secretariat monitors EIOPA's RFR curves published for the euro as well as the symmetric adjustment and provides below summary information for members (Source: EIOPA, Insurance Europe).

### 1. RFR curves with VA (euro) as at end of February 2020 vs previous curve




| *RFR with VA* | *10yrs* | *20yrs* | *60yrs* |
|---|---|---|---|
| ***Feb 2020*** | -0.16% | 0.14% | 2.23% |
| ***Jan 2020*** | -0.10% | 0.27% | 2.28% |

| *RFR without VA* | *10yrs* | *20yrs* | *60yrs* |
|---|---|---|---|
| ***Feb 2020*** | -0.28% | 0.02% | 2.18% |
| ***Jan 2020*** | -0.16% | 0.21% | 2.26% |

### 2. Change in Volatility Adjustment and Credit Risk Adjustment

| | **January** | **February** |
|---|---|---|
| **Volatility Adjustment (VA) (bps)** | 6 | 12 |
| **Credit Risk Adjustment (bps)** | 10 | 10 |

### 3. Impact on discounting

The value after discounting a 1,000 euro cashflow at different years in the future is shown below along with the impact of changes in RFR (with VA) on these valuations:

| | **10yrs** | **20yrs** | **60yrs** |
|---|---|---|---|
| **Present Value using February 2020 RFR with VA** | 1016 | 973 | 266 |
| **Present Value change from January 2020** | 0.6% | 2.7% | 2.9% |

### 4. Symmetric Adjustment of the Equity Capital Charge

| **February 2020** | **January 2020** | **December 2019** | **November 2019** | **October 2019** | **September 2019** | **August 2019** | **July 2019** |
|---|---|---|---|---|---|---|---|
| -5.94% | -1.33% | -0.08% | -0.69% | -1.47% | -1.97% | -3.43% | -2.03% |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