Memo for information

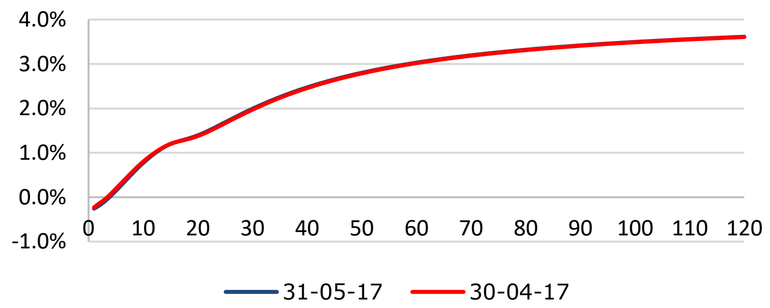
To: Solvency II Working Group
From: Prudential Team
cc:
Date: 08-06-2017
Reference: ECO-SLV-17-092

Subject: RFR monthly monitoring May 2017

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 (see links to access details) monthly. The latest technical documentation for the RFR providing their methodology for calculation can be found here. The secretariat monitors EIOPA's RFR curves published for the euro as well as the symmetric adjustment on a monthly basis and provides below the summary information for members (Source: EIOPA, Insurance Europe).

1. RFR curves with VA (euro) as at end of May 2017 vs previous curve



RFR with VA	*10yrs*	*20yrs*	*60yrs*
May 2017	0.77%	1.39%	3.03%
Apr 2017	0.80%	1.38%	3.02%

RFR without VA	*10yrs*	*20yrs*	*60yrs*
May 2017	0.69%	1.31%	3.00%
Apr 2017	0.70%	1.28%	2.98%

2. Change in Volatility Adjustment and Credit Risk Adjustment

	April	**May**
Volatility Adjustment (VA) (bps)	10	8
Credit Risk Margin (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 May 2017 RFR with VA	926	758	167
Present Value change from April 2017	0.3%	-0.3%	0.6%

4. Symmetric Adjustment of the Equity Capital Charge

May 2017	**Apr 2017**	**Mar 2017**	**Feb 2017**	**Jan 2017**	**Dec 2016**	**Nov 2016**	**Oct 2016**
2.26%	2.10%	1.36%	-0.23%	-1.59%	-1.44%	-4.26%	-4.31%

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