

# Bank of England

## Prudential Regulation Authority

### **Volatility adjustment**

Pursuant to regulation 43 of the Financial Services and Markets (The Solvency 2 Regulations 2015) (“the Statutory Instrument”), a firm may apply to the PRA for permission to apply a volatility adjustment to the relevant risk-free interest rate term structure in order to calculate the best estimate referred to in Article 77(2) of the Solvency 2 Directive.

Further requirements relating to the matching adjustment are set out in directly applicable EU Regulations adopted in accordance with the Solvency II Directive.

Firms wishing to apply the volatility adjustment should submit the Solvency II approval application form available on the Solvency II approvals page together with supporting evidence.

[Supplementary information for applications to apply the volatility adjustment](#)

There are no deadlines for assessing this approval.

March 2015