

[Company Letterhead / Logo]

Date: [Insert Date]

To: [Recipient Name/Risk Committee]

Department: [Relevant Department]

Reference: Advisory on Counterparty Default Exposure

Dear [Recipient Name],

This letter serves as a formal advisory regarding the current credit exposure and potential default risk associated with the following counterparty:

Counterparty Name: [Insert Full Legal Name]

Contract/Account Reference: [Insert Reference Number]

Total Current Exposure: [Insert Amount and Currency]

Our internal monitoring and risk assessment processes have identified significant indicators of potential default. These indicators include, but are not limited to:

- [Insert specific reason, e.g., Breach of financial covenants]
- [Insert specific reason, e.g., Failure to meet payment obligations on Date]
- [Insert specific reason, e.g., Significant downgrade by credit rating agencies]
- [Insert specific reason, e.g., Material adverse change in market conditions]

In light of this exposure, the following immediate actions are recommended:

- Suspension of further credit extensions or trading activities with this counterparty.
- Verification of all collateral held and its current market value.
- Initiation of formal communication with the counterparty to seek clarification or remediation.
- Review of legal documentation for termination rights or acceleration clauses.

We will continue to monitor the situation closely and provide updates as further information becomes available. Please acknowledge receipt of this advisory and advise on any immediate steps taken by your department.

Sincerely,

[Signature]

[Your Name]

[Your Title]

[Risk Management / Credit Department]