[Date]

[Client Name]
[Client Address]
[City, State, Zip Code]

Re: Transfer Pricing Advisory - Intercompany Foreign Exchange (FX) Transactions

Dear [Client Contact Name],

We are providing this advisory letter to outline the transfer pricing considerations regarding the foreign exchange transactions conducted between [Company Name] and its foreign affiliates.

1. Scope of Analysis
The scope of this advisory includes the review of intercompany FX hedging, spot conversions, and treasury management services to ensure compliance with the "Arm's Length Principle" as defined by [Relevant Tax Authority/OECD Guidelines].

2. Transaction Description
It is understood that [Company Name] engages in the following:
- [Describe specific transaction, e.g., Intercompany loans denominated in foreign currency]
- [Describe specific transaction, e.g., Centralized FX risk management/hedging]

3. Transfer Pricing Methodology
To determine the arm's length nature of the FX rates and fees applied, we recommend the **Comparable Uncontrolled Price (CUP)** method. This involves benchmarking the spreads and transaction fees charged internally against quotes provided by independent commercial banks or financial data providers (e.g., Bloomberg/Reuters).

4. Tax Risk Assessment
Failure to document the market-standard nature of FX spreads may result in:
- Re-characterization of income by tax authorities.
- Adjustments to taxable profit.
- Penalties for lack of contemporaneous documentation.

5. Recommendations
- Maintain a formal Intercompany FX Policy.
- Keep dated records of "mid-market" rates at the time of execution.
- Justify any "spread" or "service fee" added by the internal treasury department based on functional complexity.

6. Conclusion
Based on our preliminary review, provided that the rates applied do not exceed standard commercial banking margins for similar volumes, the risk of a transfer pricing adjustment is [Low/Medium/High].

Should you require a formal benchmarking study or detailed documentation report, please contact us.

Sincerely,

[Your Name/Partner Name]
[Title]
[Firm Name]