

[Company Letterhead]

[Date]

[Counterparty Name]

[Counterparty Address]

[City, Postcode]

Subject: Notification of Transition to Fundamental Review of the Trading Book (FRTB) Framework

Dear [Contact Name/Client Services Team],

We are writing to formally notify you of the transition in our market risk capital framework to comply with the Fundamental Review of the Trading Book (FRTB) standards, as mandated by [Insert Local Regulatory Authority, e.g., PRA/ECB/OCC].

Purpose of Transition

The FRTB framework introduces enhanced standards for market risk capital requirements, aimed at improving the resilience of the banking sector. Key changes include a revised boundary between the banking book and trading book, more rigorous internal model requirements (Expected Shortfall), and a risk-sensitive Standardised Approach.

Timeline

Our transition to the FRTB framework is scheduled to take effect on [Insert Date]. We are currently in the process of [internal testing/parallel running] to ensure a seamless migration.

Impact on Our Relationship

While this transition primarily affects our internal regulatory capital calculations, you may observe the following:

- Updated data reporting requirements for certain trading activities.
- Adjustments to margin requirements or collateral haircuts in line with new risk sensitivities.
- Updates to our legal documentation or terms of business to reflect revised regulatory definitions.

Next Steps

No immediate action is required from your side at this time. However, we recommend that your compliance and risk teams review these changes. We will provide further updates should there be any specific requirements regarding your accounts or active trades.

For any questions regarding this transition, please contact your Relationship Manager or our FRTB Implementation Team at [Insert Email Address].

Yours sincerely,

[Signature]

[Name of Signatory]

[Title]

[Department]