

To: The Board of Directors

From: [Chief Risk Officer / Head of Market Risk]

Date: [Insert Date]

Subject: Formal Approval of the Market Risk Capital Framework

Dear Members of the Board,

This letter seeks formal approval for the updated Market Risk Capital Framework (the "Framework") for [Company Name]. This framework has been designed to align with current regulatory requirements, including [mention specific regulation, e.g., Fundamental Review of the Trading Book - FRTB].

1. Executive Summary

The Framework establishes the methodology for calculating capital requirements against market risk exposures. It ensures that the institution maintains sufficient capital to absorb potential losses arising from movements in market prices.

2. Key Components

The Framework includes the following core elements:

- Defined scope of instruments in the Trading Book vs. Banking Book.
- Methodologies for Standardized Approach (SA) and Internal Model Approach (IMA).
- Stress testing protocols and back-testing requirements.
- Governance structures and internal control environments.

3. Risk Management Impact

Implementation of this Framework will enhance our ability to measure risk sensitivity and ensure compliance with minimum capital adequacy ratios as set by [Relevant Regulatory Authority].

4. Recommendation

The Risk Committee has reviewed the Framework and recommends it for Board approval to ensure immediate implementation across all relevant business units.

Board Resolution:

By signing below, the Board of Directors hereby approves the Market Risk Capital Framework effective as of [Effective Date].

[Name], Chairperson of the Board

[Name], Director / Risk Committee Chair