

**Date:** [Insert Date]

**To:** [Insert Name/Department of Recipient]

**From:** [Insert Name/Title of Sender]

**Subject:** Formal Implementation of Trading Book Boundary Policy

Dear [Recipient Name],

This letter serves as formal notification regarding the implementation of the updated Trading Book Boundary Policy within [Company Name], effective as of [Effective Date].

The purpose of this policy is to ensure strict adherence to regulatory standards (FRTB) and to define the clear demarcation between the Banking Book and the Trading Book. This framework is designed to prevent regulatory arbitrage and ensure consistent capital treatment of financial instruments.

**Key implementation mandates include:**

- **Instrument Classification:** All new and existing positions must be assigned to the appropriate book based on objective evidence of trading intent.
- **Internal Risk Transfers (IRT):** Any transfer of risk between the Banking Book and Trading Book must comply with the approved internal transfer pricing and documentation requirements.
- **Strict Prohibition on Re-designation:** Switching instruments between books after initial designation is prohibited except under extraordinary circumstances and with prior regulatory/senior management approval.
- **Documentation:** Comprehensive records of the rationale for classification must be maintained for audit and regulatory inspection.

All relevant desks and risk management units are required to review the full policy document attached and complete any necessary system updates by [Deadline Date].

Please acknowledge receipt of this letter and confirm that your department has initiated the required compliance procedures.

Sincerely,

[Signature]

[Name of Authorized Signatory]

[Title]

[Department Name]