

DATE: [Insert Date]

TO: Board of Directors, [Insert Institution Name]

FROM: [Insert Name/Committee Name]

SUBJECT: Advisory on Interbank Lending Strategy Shifts

1. EXECUTIVE SUMMARY

This letter outlines proposed adjustments to our interbank lending strategy in response to current market conditions and evolving liquidity requirements.

2. MARKET OVERVIEW

Current trends in the interbank market indicate [insert trend, e.g., rising interest rates, volatility, or credit spread widening]. These factors necessitate a transition from our current posture to ensure capital preservation and optimal yield.

3. STRATEGIC SHIFTS

The following modifications to our lending framework are recommended:

- **Counterparty Risk:** Tightening credit limits for lower-tier institutions while increasing exposure to high-grade counterparties.
- **Tenor Adjustment:** Shifting from [short-term/long-term] to [short-term/long-term] lending to manage duration risk.
- **Collateral Requirements:** Implementing stricter haircut policies for non-sovereign collateral.

4. LIQUIDITY AND CAPITAL IMPACT

The proposed shift is expected to impact the Liquidity Coverage Ratio (LCR) by [insert percentage] and improve the Net Stable Funding Ratio (NSFR) through more conservative placement strategies.

5. RISK MITIGATION

To manage the transition, the Treasury department will implement enhanced monitoring of overnight benchmarks and real-time counterparty credit default swap (CDS) spreads.

6. RECOMMENDATION

The Board is requested to review and approve the revised Interbank Lending Policy as attached, effective [Insert Date].

Respectfully submitted,

[Insert Signature/Name]

[Insert Title]