

To: [Board of Directors / Risk Committee]

From: [Name of Chief Risk Officer], Chief Risk Officer

Date: [Date]

Subject: Formal Approval of Stress Testing Assumptions and Scenarios - [Year/Cycle]

Dear Members of the Board,

This letter serves as the formal attestation and summary of the key assumptions and scenarios adopted for the upcoming [Year] Stress Testing exercise.

1. Scenario Overview

The Risk Department has developed three primary scenarios to evaluate the firm's capital adequacy and liquidity position:

- **Baseline Scenario:** Aligned with current internal financial forecasts and consensus economic data.
- **Adverse Scenario:** Reflects a moderate economic downturn, including [specific factor, e.g., 2% GDP contraction].
- **Severely Adverse Scenario:** Reflects a high-impact, low-probability event characterized by [specific factor, e.g., market collapse or systemic credit failure].

2. Key Macroeconomic Assumptions

The following variables have been utilized as the foundation for our projections:

- Interest Rate Volatility: [Percentage/Range]
- Unemployment Rate Peak: [Percentage]
- Equity Market Haircuts: [Percentage]
- Inflation / CPI Projections: [Percentage]

3. Risk-Specific Assumptions

In addition to macro factors, the following internal risk assumptions have been applied:

- **Credit Risk:** Default rates are expected to increase by [X]% under the severely adverse scenario.
- **Liquidity Risk:** We assume a [X]-day disruption in unsecured funding markets.
- **Operational Risk:** Inclusion of a major [Cyber/Legal] loss event totaling \$[Amount].

4. CRO Attestation

I confirm that these assumptions are consistent with the current risk appetite of [Company Name] and comply with applicable regulatory guidelines. These scenarios have been rigorously challenged by the Internal Audit and Model Risk Management teams.

The results of the stress test based on these assumptions will be presented to the Committee on [Date].

Sincerely,

[Signature]

[Name of CRO]
Chief Risk Officer
[Company Name]