

[Company Letterhead]

Date: [Insert Date]

To: [Regulator/Internal Audit Committee Name]

From: [Chief Risk Officer/Head of Treasury]

Subject: Market Risk Capital Adequacy Assessment Report - [Reporting Period]

Dear [Recipient Name],

This letter serves as the formal assessment of the market risk capital adequacy for [Institution Name] as of [Report Date]. This assessment has been conducted in accordance with [Reference Specific Regulation/Basel III/Internal Policy Framework].

1. Executive Summary

As of the reporting date, [Institution Name] maintains a total market risk capital requirement of [Amount/Currency]. Our current qualifying capital allocated to market risk is [Amount/Currency], resulting in a capital adequacy ratio of [Percentage]%, which remains above the regulatory minimum of [Percentage]%.

2. Risk Exposure and Methodology

The market risk profile for the period was primarily driven by [Interest Rate Risk/Equity Risk/Foreign Exchange Risk/Commodity Risk]. We utilized the [Standardized Approach / Internal Models Approach (IMA)] to calculate the following components:

- Value-at-Risk (VaR): [Amount]
- Stressed VaR (sVaR): [Amount]
- Incremental Risk Charge (IRC): [Amount]
- Specific Risk: [Amount]

3. Stress Testing and Backtesting

Our stress testing scenarios, including [Scenario Name], indicate that the institution remains resilient under extreme market volatility. Backtesting results for the period showed [Number] exceptions, which is within the "Green Zone" as defined by regulatory standards.

4. Governance and Compliance

The Risk Management Committee has reviewed the underlying data and assumptions. We confirm that the market risk measurement systems are robust and that the institution is in full compliance with capital adequacy requirements.

5. Conclusion

Based on our assessment, [Institution Name] holds sufficient capital to support its market risk exposures and withstand potential adverse market movements.

Sincerely,

[Signature]

[Name]

[Job Title]

[Institution Name]