Date: [Insert Date]

To: [Recipient Name/Risk Committee]
From: [Your Name/Risk Management Department]
Subject: Market Risk Exposure Report: Derivatives Portfolio

Dear [Recipient Name],

This letter serves to provide a formal assessment of the current market risk exposures associated with the derivatives trading portfolio for the period ending [Date].

1. Portfolio Overview
The current portfolio consists of [List instruments, e.g., Interest Rate Swaps, Equity Options, FX Forwards]. The total notional value is [Insert Amount] with a current net mark-to-market value of [Insert Value].

2. Key Risk Metrics
Our analysis highlights the following risk indicators:

- **Value at Risk (VaR):** The 1-day 95% confidence VaR is [Insert Amount].
- **Delta/Gamma Exposure:** Sensitivity to underlying price movements is [Insert Details].
- **Vega Exposure:** Sensitivity to volatility shifts is [Insert Details].
- **Theta:** Time decay impact is [Insert Details].

3. Stress Testing and Scenario Analysis
Under the simulated stress scenario of [Describe Scenario, e.g., a 20% market drop], the projected loss to the portfolio is [Insert Amount]. This remains [Within/Outside] the approved risk appetite limits.

4. Compliance and Limits
As of the date of this report, the trading desk is [In Compliance / Not In Compliance] with all established market risk limits. [Optional: Detail any limit breaches here].

5. Risk Mitigation Actions
To manage the identified risks, the following actions are being implemented:

- [Action 1, e.g., Rebalancing delta neutral positions]
- [Action 2, e.g., Increasing hedge ratios for tail-risk protection]

Please contact the Risk Management Department if you require further data or a detailed briefing on these exposures.

Sincerely,

[Signature]
[Typed Name]
[Title]