[Date]

[Executive Name]
[Chief Risk Officer/Head of Model Risk Management]
[Financial Institution Name]
[Address]

RE: Supervisory Letter - Validation Results for Value-at-Risk (VaR) Models

Dear [Name],

This letter provides the results of the supervisory review regarding the validation of [Financial Institution Name]'s Value-at-Risk (VaR) models used for regulatory capital and internal risk management purposes. The review focused on model conceptual soundness, ongoing monitoring, and outcomes analysis.

Assessment Overview

The review concluded that the current VaR framework is [Satisfactory / Needs Improvement / Unsatisfactory]. While the model effectively captures primary market risk factors, the following areas require immediate management attention:

- **Backtesting Exceptions:** Analysis of the past four quarters shows a trend of [Number] overshootings, exceeding the expected frequency under the 99% confidence interval.
- **Data Integrity:** Issues were identified regarding the manual mapping of exotic derivatives into the risk engine, potentially understating tail risk.
- **Stress Testing Integration:** The current VaR model does not sufficiently account for liquidity shocks in stressed market conditions.

Required Actions

The institution is required to submit a remediation plan by [Date] addressing the following:

1. Perform a root-cause analysis of all recent backtesting exceptions.
2. Enhance the model's proxy methodology for illiquid instruments.
3. Update the Model Validation Report to include comprehensive sensitivity analysis.

Conclusion

Failure to address these findings may result in a capital multiplier increase or a formal Matter Requiring Attention (MRA). We look forward to your response regarding the proposed remediation steps.

Sincerely,

[Your Name/Signature]
[Title]
[Regulatory Agency Name]