

Validation of Derivative Marks

Process

- 100% of all on-balance sheet GE entity derivative trades reconciled on a trade-by-trade basis against counterparty data.
- GEFM request counterparty's to send their mark-to-market valuations as at q-end. GE data reconciled to counterparty data using reconciliation software.
- GEFM validate ge's mark-to-market valuations against counterparty's. Any significant variances are identified, investigated and reported.
- GE trade population is also validated against counterparty's
- 100% audit on final report carried out by external auditors at each year end.

Challenges

- No industry standard method for reconciling portfolio of trades across counterparties.
- No industry standard method for recognising & capturing trades.
- Poor data received from counterparties.
- Multiple formats of counterparty data received – fax, pdf, word docs, excel, etc.
- Trade capture issues at counterparties, incorrect legal entities, amortization schedules etc.
- No consistency of trade reference numbers from quarter to quarter which makes reconciliation more difficult
- Model & mark differences between GE vs. Counterparties.

Solution

- Engaged with counterparties on a one to one basis to improve quality of their data.
- Participated on ISDA collateral committee – brought voice of the customer to an industry platform.
- Best practice sharing with major counterparties.
- Developed statement templates – adopted by counterparties & ISDA.
- Improvements to GE data – mark-to-market valuations and reports.
- Implemented automated solution

Replaced Previous Manual Process of Using Excel and Access DB Queries..... Automated Reconciliation Process SOX Compliant