

Trade Review Inclusions and Exclusions – New Trades

New Trades

TRANSACTION TYPE	TRADE REVIEW	CONFIRMATION ENTRY TO TR SYSTEM & EFC / H:DRIVE
Cash Collateral	Excluded	N/A - all maintained by the collateral group
Equity Options (AGLIC)	Yes	Confirms sent to OPS TR Admin who attaches to TR and saves confirm to [H:\Operatns\AIG MARKETS Trades\Confirms\AGLIC Confirms] folder
Dynamic FX	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
Forward Rate Agreements (FRA)	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
Futures	Excluded	N/A - executed via Bloomberg and reconciled by Ops
FX Forwards vs. Affiliates	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
FX Forwards vs. Affiliates - Appian	Excluded	N/A - Trades are straight through processed
FX Forwards vs. Street	Excluded	N/A - swift matched
FX Forwards / FX Spot- Internal Offsets	Excluded	N/A - FP/Mkts & AIGII/Mkts: ISDA master agreement permits that the relevant trade is covered by the automirror language.
FX Spot vs. Affiliates	Excluded	N/A - all maintained by the treasury group
FX Spot vs. Street	Excluded	N/A - swift matched
GIC	Yes	GICOPS emails confirm to OPS TR Admin to attach to TR System - GICOPS follows up to verify scanning in EFC is complete
IC Swaps / CC Swaps	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
IC Swaps / CC Swaps - Internal Offsets	Excluded	N/A - FP/Mkts and AIG Intl/Mkts ISDA master agreement permits the relevant trade is covered by the automirror language.
IC Swaps / CC Swaps - Internal Offsets	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning - all intercompany books not covered by automirror language.
IC Swaps / CC Swaps - Internal Offsets	Autopass	MarkitWire confirm is propagated to the EFC with the nightly cycle
IC Swaps / CC Swaps vs. Street	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
IC Swaps / CC Swaps vs. Street	Yes	MarkitWire trade that is manually booked. MarkitWire confirm is propagated to the EFC with the nightly cycle
IC Swaps / CC Swaps vs. Street	Autopass	MarkitWire confirm is propagated to the EFC with the nightly cycle
Inflation Swap (AGLIC)	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
Investment Securities (Assets)	Yes	Confirm not required - UK TR Admin attaches supporting emails, Excel spreadsheets, Bloomberg snapshots to TR System
Investment Securities (Hedge Sec)	Excluded	N/A - trades are verbally confirmed by Ops
Issued Securities (Buybacks)	Yes	Legal TR Admin attaches a Redemption Notice to TR System and sends to file room for EFC scanning
Options	Excluded	N/A - executed via Bloomberg and reconciled by Ops
Repo / Reverse Repo	Excluded	N/A - key controls from other teams make TR process redundant: risk/reconciliation control, confirmation of settlements, daily margin confirmation, asset/cash reconciliation
Resettable Basis Swaps	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
Security Lending (SLP)	Yes	Front Office Trader attaches supporting emails, Bloomberg snapshots, Excel spreadsheets to TR System
Short Term Investments (STI)	Excluded	N/A - reconciled by STI Admins group
Wraps	Yes	WRAP OPS emails confirm to OPS TR Admin to attach to TR System - WRAP OPS follows up to verify scanning in EFC is complete

Trade Review Inclusions and Exclusions – Revisions

TradeMod Amendments

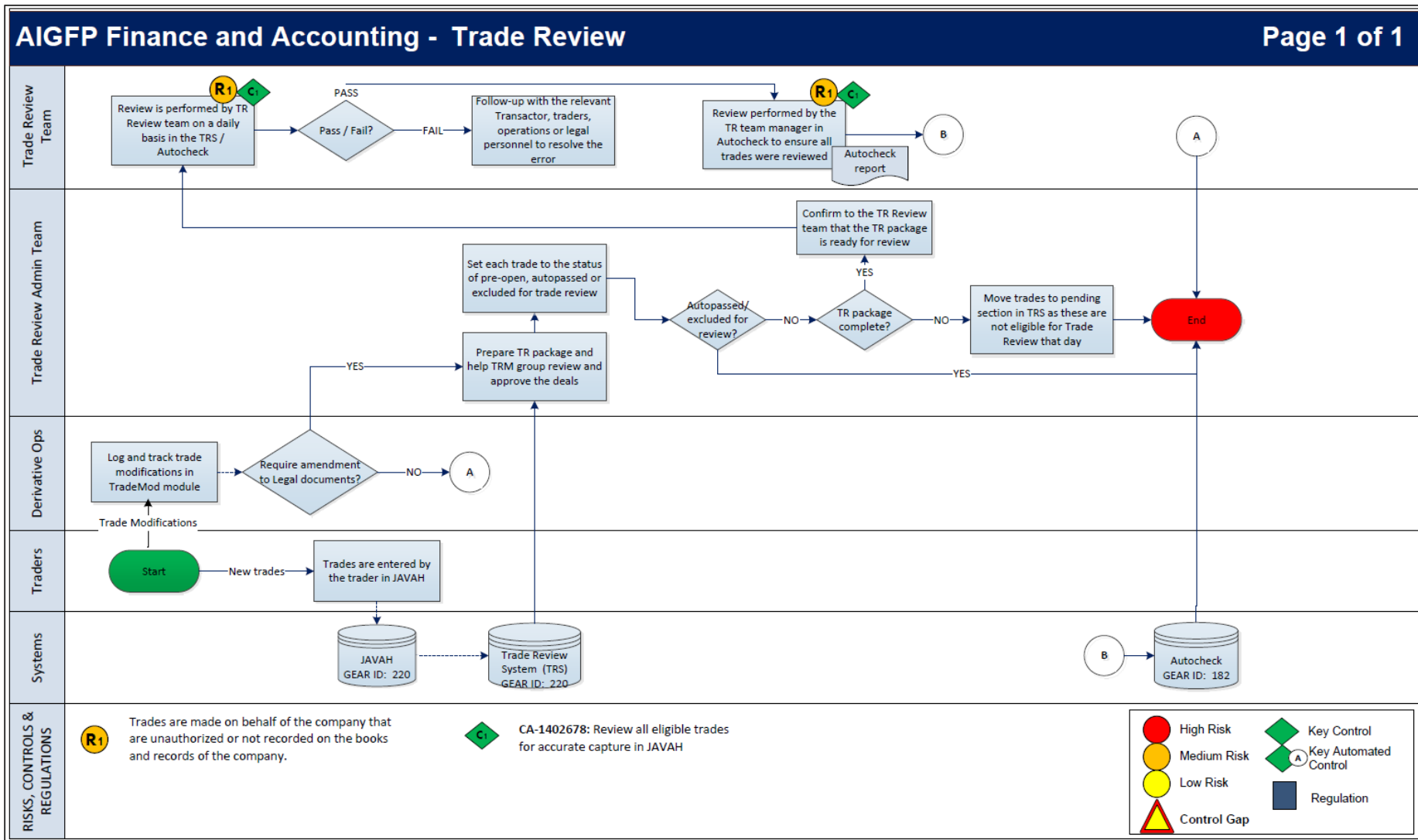
TRANSACTION TYPE	TRADE REVIEW	CONFIRMATION ENTRY TO TR SYSTEM & EFC / H:DRIVE
Any revision requiring revised legal docs	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
Any trade maintenance that does not require revised legal docs	Excluded	N/A - Ops will include owner of trade on email with revision results
Ambrosia	Excluded	N/A - Confirm is not amended. Foreign denominated bond is converted to USD in Javah
Borrowings (inter-company)	Excluded	N/A - Ops are instructed to amend by Treasury. Ops sends email with revision results back to Treasury.
BRO / Wrap	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning. Excluded if confirm does not require amendment
Collateral	Excluded	N/A - Reconciled by Collateral group
CDS / CFS notional maintenance	Yes	Ops attaches supporting emails, Trustee notification, Bloomberg snapshots, Excel spreadsheets to TR System
Dynamic FX	Excluded	N/A - Confirm is not amended for maintenance updates.
GIC	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning. Excluded if confirm does not require amendment
Intercompany derivatives	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning. Excluded if confirm does not require amendment
Investment Securities (Hedge Sec)	Excluded	N/A - trades are verbally confirmed by Ops
Metropolis (Safe Swaps & Security Masters)	Yes	Historically N/A as confirm not amended. System is auto updated w/ Javah Remote Edit program, recently began reviewing these updates.
Novations	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
Option Exercises	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
Repos / Reverse Repos	Excluded	N/A - key controls from other teams make TR process redundant: risk/reconciliation control, confirmation of settlements, daily margin confirmation, asset/cash reconciliation
Security Master amendments	Excluded	N/A - Ops reviews revisions in Autocheck and revision is captured in Traded Notebook
Short Term Investments (LPT, STI and F&O)	Excluded	N/A - reconciled by STI Admins group
Terminations	Yes	Legal TR Admin attaches confirm in TR System and sends to file room for EFC scanning
Misc. (items that do not fit above categories)	Yes	Legal TR Admin / Front Office Trader attaches confirm or supporting documents in TR System and sends to file room for EFC scanning

SOX Control CA-1402678

2019 Control Description (Risk – Medium, Frequency – Daily)	
Description	Additional Description
Daily, the Trade Review (TR) Team reviews all eligible trades on a T+1 basis to ensure that new or modified transactions are accurately captured in JAVAH. All eligible transactions are reviewed against supporting documentation to ensure accurate capture, resulting in a pass or fail designation in the Trade Review System. The TR Team also reviews all daily TR activity for completeness and tracks/reports all failed/open trades to Global Capital Markets traders and Legal to ensure timely resolution. Evidence of review and resolution is captured and maintained within the TR System.	JAVAH is the subledger for Derivatives, Issued Debt, and Short Term Investments.

On 6/20/2019, Dan Walsh and Shawn Walsh verified that the above control description is accurate for 2019.

Process Flow CA-1402678



CA-1402918 Background

Background:

Level 3 fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

AIGFP Level 3 Daily Roll Forward Report has been subject to SOX controls. The population subject to Level 3 pricing/valuation has significantly declined. Compensating controls such as quarterly reviews done by the IVFA group and Javah model validations provide adequate controls.

Ending Market Value in level 3 roll forward report has decreased from December 2011 \$5.5bn to \$43mn as of April 2019. A decrease of over 99%. RMBS, CMBS and CDO/ABS assets have been virtually eliminated.

Proposal:

Remove daily tracking of Level 3 roll forward report as a SOX control



SOX Control CA-1402918

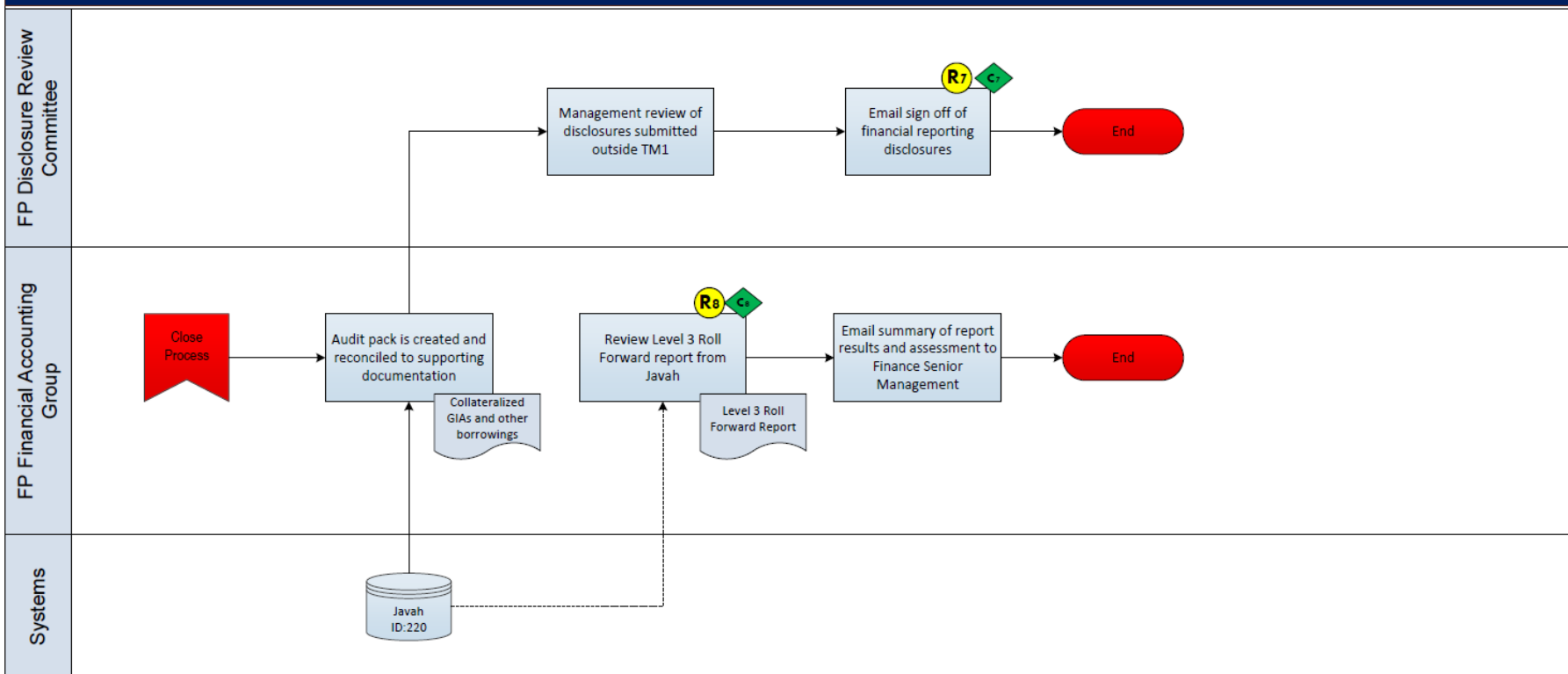
2019 Control Description (Risk – Medium, Frequency – Daily)	
Description	Additional Description
Quarterly, the Global Capital Markets Finance team Identifies and reviews derivative level changes as evidenced by email summarizing information from the Level 3 Rollforward Report.	

On 6/20/2019, Dan Walsh and Shawn Walsh verified that the above control description is accurate for 2019.

CA-1402918 Process Flow

AIGFP Finance and Accounting (Disclosures)

Page 3 of 3



RISKS, CONTROLS & REGULATIONS	<p>R7 Footnote Disclosure information is not accurately stated in the 10Q/10K.</p> <p>R8 Fair value hierarchy level is not correct</p>	<p>C7 CA-1403334: Review information submitted outside of BCP/TM1 process</p> <p>C8 CA-1402918: Review derivative level changes</p>	<p>High Risk</p> <p>Medium Risk</p> <p>Low Risk</p> <p>Control Gap</p> <p>Key Control</p> <p>Key Automated Control</p> <p>Regulation</p>
-------------------------------	--	---	--

CA-1402918 Support

From: Walsh, Dan
Sent: Wednesday, April 03, 2019 3:51 PM
To: Hanrahan, James <James.Hanrahan@aig.com>
Cc: Walsh, Shawn <Shawn.Walsh1@aig.com>; Allison, Timothy William <Timothy.Allison@aig.com>; Kratochvil, Peter <Peter.Kratochvil@aig.com>; Mahmood, Atif <Atif.Mahmood@aig.com>
Subject: Level 3 Roll Forward Q1 2019 AIGFP

Hi James,

Below is the Q1 2019 level 3 roll forward for AIGFP/GCM. It is essentially unchanged from Q4 2018 and the results remain insignificant.

For further context, we discussed removing this from SOX detailed testing at last year's walkthrough on May 9, 2018. A copy of last year's walkthrough presentation and discussion document is attached. The ending market value in level 3 at AIGFP had decreased from \$5.5bn as of December 2018 as of Q1 2019 (it was \$45mm at last year's walkthrough). This decrease is over 99%. As agreed last year we are continuing to monitor the levels each quarter.

Our decision to eliminate detailed SOX testing of the level 3 roll forward remains proper as of Q1 2019.

Best Regards,
 Dan

Level 3 Roll Forward Summary Schedule												
Parameters												
Settle Date		01-Apr-2019										
Run Id		2922										
Pos Type Code	Position Type	Beginning Balance	Realized /Unrealized Gain/Losses	Total Purchase, Sale, Insurance, Settlement	Net Transfer In/ Out	Ending Balance	QTD - Unrealized Gains/ Losses	YTD - Unrealized Gains/ Losses	SI Entity Code	SI Entity Description	Beginning Absolute Value	Ending Absolute Value
8	BORROWING	-	-	-	360,480	360,480	(199,164)	(199,164)	466	AIG Financial Products Corp.	-	360,480
7	CCSWAP	1,811,946	212,094	(840,777)	-	1,183,263	212,094	212,094	466	AIG Financial Products Corp.	1,811,946	1,183,263
26	COMPOSITE_SEC_POS	5	(0)	-	-	5	(0)	(0)	466	AIG Financial Products Corp.	5	5
69	CREDIT_DERIVATIVE	56,682	(1,937,422)	1,944,472	-	63,731	(2,085,428)	(2,085,428)	466	AIG Financial Products Corp.	56,682	63,731
6	ICSWAP	(44,672,517)	(3,761,904)	3,450,413	-	(44,984,008)	(3,761,904)	(3,761,904)	466	AIG Financial Products Corp.	44,672,517	44,984,008
11	SWAPTION	219,803	235,359	(220,665)	-	234,497	235,359	235,359	466	AIG Financial Products Corp.	219,803	234,497
		(42,584,082)	(5,251,874)	4,333,444	360,480	(43,142,033)	(5,599,043)	(5,599,043)			46,760,953	46,825,984

Pos Id	FAS 161 Description	Beginning Balance	Realized /Unrealized Gain/Losses	Total Purchase, Sale, Insurance, Settlement	Net Transfer In/ Out	Ending Balance	QTD - Unrealized Gains/ Losses on Positions Held	YTD - Unrealized Gains/ Losses on Positions Held	SI Entity Code	SI Entity Description	Beginning Absolute Value	Ending Absolute Value
324663	Interest Rates	(30,047,059)	(2,407,634)	2,029,361	0	(30,425,333)	(2,407,634)	(2,407,634)	466	AIG Financial Products Corp.	30,047,059	30,425,333
1116525	Interest Rates	(1,744,627)	(168,636)	0	0	(1,913,263)	(168,636)	(168,636)	466	AIG Financial Products Corp.	1,744,627	1,913,263
1299775	Interest Rates	(1,558,252)	(170,868)	253,063	0	(1,476,056)	(170,868)	(170,868)	466	AIG Financial Products Corp.	1,558,252	1,476,056
		(33,349,938)	(2,747,138)	2,282,424	0	(33,814,652)	(2,747,138)	(2,747,138)			33,349,938	33,814,652



2019 Walkthrough – Trade Review

Applications and Databases

1. Javah
2. Trade Review System (TRS)
3. TradeMod
4. Autocheck application

Models

1. None

SOC1

1. None

IT Dependencies:

Key Reports

1. Autocheck report for completeness check
2. Level 3 Rollforward report

Report Name	Primary Usage (i.e. how is it used?)	Control Assessment ID	Report Risk Rating	Input Source (i.e. system feeding this report)	Describe How Report is Generated(i.e. Microstrategy, Canned Report, Query, etc.)	Report Format	Where Report Stored (Shared Drive/ Personal Folder/ Software Repository)	If Report is Developed In-house, Where Query/Source Code Stored
Autocheck report for completeness check	Autocheck report - A completeness check is performed by Trade review team to ensure that 1. All the revisions made to the trades by Derivatives Operations group can be excluded from Trade review process 2. The revisions made to the trades that should included for Trade review process	CA-1402678	Medium	JAVAH	Query	PDF	EFC	Javah
Level 3 Rollforward Report	Shows movements between Levels	CA-1402918	Medium	Javah	Canned Report	Excel	Shared Drive	N/A

2019 Walkthrough – Trade Review

IT Dependencies continued:

Auto Calculation/System Functionality

1. Identification of transactions required to go to Trade Review System.

Control Assessment ID	Description of Nature/Usage	Risk Rating for Calculation/ System Functionality	IT System	Source of Development (i.e. Vendor Package, In-house User Developed or In-house Independently Developed)
CA-1402678	Identification of transactions required to go to trade review system	Medium	Trade Review System	In House Independently Developed

System Interface

1. Javah to the Trade Review System

Control Assessment ID	Description of Nature/Usage	Risk Rating	Source System	Destination/ User System	Is the Source is from External Vendor(i.e. Custodian)?	Was data transformed as it is loaded to the destination system? If Yes, Describe.
CA-1402678	JAVAH to the Trade Review System JAVAH position details to Trade Review System for trades requiring trade review	Medium	JAVAH	Trade Review	No	No