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Letter of the Chairman

Dear Financial Executive,

You receive, today, the Third IAFEI Quarterly, that is the Electronic Professional Journal of IAFEI. As announced, we want to make this internal information tool of our association a quarterly event, and this is, what we are delivering now for the third time.

As is the case, since inception, several member institutes from IAFEI have contributed articles also to this third issue of this IAFEI Quarterly. Once more, this is a promising achievement, showing to us, that the role and importance of this quarterly information tool is well understood, well accepted, and well received. With this support from within IAFEI, we are greatly encouraged, to continue on this path.

Still, there is plenty of room, for change, and for improvement, in the future upcoming IAFEI Quarterlies. Let me therefore renew my appeal to all IAFEI member institutes, as well as to their individual financial executives members, to contribute from time to time with articles to this journal. We wish to receive your articles, we wish to receive your comments, opinions and suggestions for improvement, and together with you, all the time, we wish to make this electronic journal a valuable source of professional themes, of professional added value, and of news of professional developments.

The multi-faceted financial crisis, which emerged world wide since summer 2007, is becoming broader and deeper over the recent months, with repeated repercussions in other segments of the financial markets than the original crisis segment subprime mortgage loans in the United States. It is still breathtaking to see, how things have developed in recent months. We all see signs, that this financial crisis is contagion the real economy as well, although overall, the real economy worldwide is still holding up quite well against it. Also, more than before, we are increasingly observing remedial proposals and solutions to main parts of the financial problems, a development which is both encouraging and promising. The lessons, to be learned, will be with us for quite some more time, and this will also reflect on the content of this quarterly journal.

We wish all of you rewarding new insights when reading this third IAFEI Quarterly.

With best personal regards

Your Chairman IAFEI

Helmut Schnabel

Too Little Transparency? Too Much?

By François Meunier

Chief Financial Officer of Coface, chairman of the DFCG

Article from ÉCHANGES, February 2008

Financial information

THE ECONOMY'S INCREASING RELIANCE ON MARKETS AS A SOURCE OF FINANCING IS CREATING NEW TYPES OF RISKS, BROUGHT TO LIGHT BY THE FINANCIAL CRISIS THAT BEGAN IN THE SUMMER OF 2007. IN AN EFFORT TO PREVENT OR LIMIT THE IMPACT OF THESE RISKS, REGULATORS ARE FOCUSING ON THE NEED FOR MORE "TRANSPARENCY" AND REQUIRING THAT COMPANIES PROVIDE MORE INFORMATION TO INVESTORS.

IT REMAINS TO BE SEEN WHETHER THIS IS THE BEST SOLUTION IN ALL INSTANCES.

CORPORATE BUSINESS, A MIXTURE OF TRANSPARENCY AND SECRECY

There are times in life when the truth is better left unsaid. This goes for the corporate arena as well. For instance, companies opt for total "transparency" when it comes to telling the outside world about their business and products, even paying to advertise them. At the same time, they usually do all they can to keep their technologies, key people and patent projects a secret. In sum, corporate business calls for a mixture of transparency and secrecy. The same can be said of financial communication. Providing information about debt may put suppliers at ease, while data about the margins generated with individual products can give the competition an extra edge.

REGULATORS DEMANDING MORE INFORMATION ON BEHALF OF STAKEHOLDERS

Is it possible to strike the right balance with financial information? The question is worth asking in these times of increasing demand for transparency from all stakeholders. The number of areas considered "preserves", in which information remains confidential, is shrinking. Companies are being pressured to publish more information more often, and in a timelier fashion. These trends have been underway more or less since the end of the 1970s, when financial markets were deregulated in the US, but have been intensifying since the new millennium with the introduction of stricter regulations governing accounting standards, stock exchanges, and internal and external control. With more information than ever being demanded by stakeholders, including employees, annual reports are getting longer. Indeed, everyone wants specific areas to be covered more thoroughly, and regulators are backing these demands.

Open or closed system? Proponents of a certain degree of confidentiality point out that capitalism has worked in the past without all of these obligations. In hindsight, it seems amazing that the large publicly-traded corporations created in the United States early in the 20th century were never required to publish, say, their financial statements. In a word, stockholders had no idea what they were investing in; the only information available came from "shareholder letters" that are still sent out today. In post-war France, many listed companies were controlled by large

shareholders that basically did as they pleased, with minimal protection for minorities. Today, most emerging countries – chief among them China – are building their industrial base within closed financial systems. Meanwhile, in the large developed economies, certain forms of ownership, including private equity, are emphasizing the “private” nature of business, partly in response to what is seen as excessive regulation (although in private equity transactions even more detailed information is exchanged between shareholders, bankers and management).

Note that when business is done behind closed doors, the financial system compensates for the lack of information. Financial agents – rating agencies and especially banks – serve as a bridge between the private and public domains insofar as their exchanges with clients remain confidential. In a way, the intermediary’s secrecy is a guarantee of transparency for the public. Likewise, this lack of information is usually reflected in stock prices. For a minority shareholder, what is the problem with selling at a 20% discount if the same discount applied to the purchase? So the question is: have we taken the concept of transparency too far? In addition to driving up the cost of providing information, is legislative zeal impeding our economic efficiency?

THE ADVANTAGES OF AN OPEN SYSTEM

Financial theory may not allow us to answer this question with a simple yes or no, but it does provide some useful insight thanks to the progress made recently in understanding how incentives and information work.

Inform the public about companies’ strategies and risks. The theory suggests that transparency has two distinct advantages, one of which is often overlooked. First, it enables investors to understand a company’s plans and the risks it faces. The confidence thus created stimulates financing. Markets are often accused of promoting investment with an eye to the short term. But in fact we have never seen so much private capital poured into networks, alternative energy sources, pharmaceutical research or the aerospace industry, all high-risk businesses that only generate returns over very long periods. The bottom line is that today’s investors are more concerned with immediate liquidity than in the past: they want to be able to sell at any time by convincing other investors of a project’s long-term viability. This demand for liquidity requires real transparency with regard to the events a company is likely to come up against. The financial crisis that began in the summer of 2007 illustrates, retrospectively, the consequences when trust is broken. This constant demand for liquidity clearly creates a systemic weakness that must be limited by making quality information readily available at all times.

And encourage better monitoring. Transparency is also an advantage when it comes to control insofar as it reduces and prevents risks. Information that is announced to the outside world is necessarily monitored internally. Some may mock the new obligations imposed by IFRS 7 with regard to financial disclosure: who is going to read all those extra pages in annual reports? But one can also wonder how many companies can actually monitor rate and exchange risks internally, as the standard requires? In a way, IFRS 7 forces management to look inward, at what is in truth an important aspect of financial management. Otherwise, they could be tempted to say, why should we look if no one else will? The obligation to inform others is an obligation to be informed, and thus to run the company with more visibility.

BLAMING IFRS

Recent financial turmoil has nonetheless sparked a fresh spate of criticism against accounting standards. The crisis is cited as proof that valuing financial assets at present market value is dangerous. Michel Pébereau suggested as much in a recent interview¹. The idea is that the risk actually stems from the constant reference to market values. When a shock causes operators to lose confidence in one or more financial markets, the pricing system starts spiraling down, leading to massive asset liquidation.

A NEW TORRENT OF CRITICISM AGAINST ACCOUNTING STANDARDS

Should banks be exempt from IAS 39? This proposal is selective and in practical terms difficult to comprehend: many of those who believe banks should be exempt from applying IAS 39 (which requires that financial assets be carried at present value) also want investment funds and securitization vehicles to be more transparent. Why would investors who already have too much information be reassured by abridged data based on market values at the time assets are recorded in the bank's balance sheet? Under the previous standards, analysts were there to make the adjustments, more or less accurately, with no input from company management. In addition, illiquidity often arises when products are complex and hard to assign a value to. If a bank's assets are too complex to evaluate, then maybe it should not have purchased them in the first place, or hedged the related risks? Moreover, a proper interpretation of the accounting standards leaves room for value models to be used when market values fail².

Everyone will benefit if banks are allowed to continue to take individual risks confidentially. That said, they can no longer refuse to assure that their consolidated balance sheets are easier to understand for investors and regulators, and show their assets and risks as accurately as possible. In the end, the emphasis placed by IFRS on asset valuations may border on the excessive when the definition of revenue is restricted to the mere change in the value of assets, but it is certainly justified with regard to financial institutions, whose role it is to sell solvency and liquidity.

MANAGERS MUST LEARN TO DISTANCE THEMSELVES FROM THE INFORMATION THEY DELIVER

IAS 36: systemic risk? Similar discontent is being expressed about IAS 36, which applies to all companies. The standard stipulates that firms must write down assets acquired if the fair value falls below the historic value. This provision contains a systemic risk that could materialize with the next recession. Indeed, instead of the usual goodwill amortization recorded once a year under the previous standards, cycle lows could prompt simultaneous write-downs by different companies, with value vanishing overnight. The criticism is worth noting insofar as the standard does introduce the possibility of sudden rather than gradual change in asset valuations. Perhaps in the distance future (justifiably feared by many accountants), consolidated balance sheets will also be revalued as good news is announced, thus making the information flow more balanced and continuous. This would allow industrial assets to be treated in the same way as financial assets.

¹ *Les Échos*, December 3, 2007: "The situation is complicated by new accounting standards calling for numerous assets and liabilities to be valued at market value. This makes for balance sheet volatility and problems when there is no market price. It is fortunate that the move to 'full market value' recommended by a few accounting standard fanatics will not be applied to bank intermediation."

² See Marion, Christophe and Meunier, François, "Oui, les modèles peuvent aider à établir les comptes!", *Échanges*, November 2007, No. 248, pp. 87-89.

ADAPTATION WILL TAKE TIME

The picture is not entirely rosy either. For instance, there is no question that pressure to give markets more information, more often and in a timelier manner is dragging many managers away from their core duties.

They are being forced to focus on short-term indicators, some of which have no long-term meaning. In reality, this is a time of transition, a learning period. The regulatory requirements in question were introduced practically all at once, in a very short timespan. It costs companies money to comply with them and handle the related disruptions, whereas market operators have not adapted their behavior patterns. It will necessarily take time for managers and those who supervise them to recognize the difference between quarterly data and long-term trends, or between market values, which are inevitably volatile, and underlying values.

Managers must learn to distance themselves from the information they deliver, to produce numbers more efficiently, to avoid falling prey to the “emotional stress” of quarterly deadlines.

There is nothing wrong with explaining that volatility is expected to be short-lived, or perhaps last over the medium term, or return at a later date. Shares prices in companies that deliver information sparingly fluctuate little. But these firms are in for a rude awakening when they announce major setbacks, or when minor ones accumulate. With no solid foundation under them, share prices simply plummet, and volatility takes over. Companies with liquid shares that provide a lot of information may put their stock price in the spotlight but also seem to experience less volatility and fewer shocks over the medium term. Short-term volatility is in this case an “outlet” that enhances stability over time, thus making it easier to conduct business.

Of the different criticisms leveled against the open market model, the only really legitimate one is that the transition was very quick. It takes times for the eyes to “adjust” when we move from darkness into the light. This might be a good time to pause to digest the new regulations.

The Figure of the CFO as Complexity Manager

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1. INTRODUCTION

Enterprises incited by several external factors are today forced to enhance and implement particular efficient business and organizational patterns. In play is not only enterprise profitability improvement, but its complete survival. Competing against geographically widespread competitors, unable to innovate and reduce the gap of a more expensive logistics through economies of scale and rationalization processes, represents a very real future challenge.

Competition is not only measured on products or service but on all firm processes and the whole value chain (*filière*). To this end, it seems vital to provide the firm with suitable measurement tools capable of promptly pointing out inefficiencies or variations in the firm direction, therefore allowing prompt decision making or even strategic changes.

Furthermore, it is necessary to take in to account a phenomenon that pervades the entire world: the increase in the complexity. Firms are not preserved from this trend, which perhaps draws its origin from the new technologies allowing to diffuse information in such an effective way as never before. Inevitably an efficient spreading of information makes the processes quicker and the competitiveness increase.

Therefore how does the figure of the Administrative Director locate himself in this picture? His position in the middle of the information intersection is an integral part of the effective functioning of the firm and puts him in a critical status and position. He must represent company events but at the same time has to convert data into information for the firms top management. He has to take care of firm administration, but also should guarantee third parties and the very other corporate functions of the behavior and correct working of the internal organization. Also the Legislator recognizes in the Administrative Director, a guarantor towards all the stakeholders. These elements emphasize in this role, one of the most important inside the firm, a responsibility which is one of ongoing development and whose features reflect that of a business integrator and complexity manager.

2. THE FRAME OF REFERENCE: THE ROOTS AND REASONS OF THE “DIRIGENTE PREPOSTO”

In the latest years, internal corporate complexity often defined as structural complexity, has strengthened. This has eventuated due to increasing external intricacies arising from a more centered regulatory system, along with the rise of competitive pressure, market globalization and a decrease in the products life cycle. The greater complexities in corporate governance following from these conditions, comes from new emerging organizational structures such as matrix structures, network corporations, corporate processes and functions outsourcing, new company configurations, along with ongoing internationalization and continuous innovation, all of which introduced new technologies and productive processes. Furthermore, on the company side changes and turbulence emerge both for operations such as Mergers & Acquisitions, and from the entrance of investment funds as main shareholders. These situations have inevitably paved the way to new development strategies to be implemented in the increasingly shorter time horizons.

This complexity together with corporate governance system malfunctioning created conditions which, notwithstanding the Legislator’s objectives, encouraged financial scandals such the troubled American financial markets of 2000-2001, followed by the Italian market’s Cirio and Parmalat scandals.

It is conspicuous that money saver safeguard even preserved by an in force company information discipline and indirectly through the vigilance authority and institutional investor supervising, was not suitable to clamp down a wide spreading of offences. In particular several instances of managers who undertook operations in conflicts of interest with the corporate and its shareholders, to achieve their own objectives, have now been detected. It exposed a risk which was harmful for financial markets and for the firms from which financial markets drew their main source of development, through the placement of financial tools: the decrease of investors reliance in the markets and the withdrawal of the enormous capital amounts creating a financial bubble, which in bursting provoked a global industrial crisis of unimaginable proportions.

Hence for the abovementioned reasons the Sarbanes Oxley Act, firstly in the USA and latterly in Italy, governments saw fit to revise the open corporate regulatory setting, the ones issuing stocks on the market.

After a suffered path on December 28 2005 the law 262 concerning the “savings safeguard and financial markets discipline” was approved. The aim of the Italian legislator was to consider and revise several important aspects and facets: control bodies and vigilance institutions functions and tasks, composition of councils, conflicts of interest, introduction of minority groups safeguard directives, and the discipline concerning relationships with foreign non-transparent companies. Amid these important innovations, the

introduction of “Dirigente Preposto” (executive supervising the accounting procedures and outcomes) to draw up accounting and corporate documents is particularly important either for the freshness in identifying a new figure who takes charge of such important responsibilities, or for all the linked aspects which bear on government rules and processes in the Italian corporate.

The “Dirigente Preposto” shows resemblances with the Anglo-Saxon figure of the “Chief Financial Officer” (CFO), a manager positioned at the highest company hierarchical levels, and endowed with suitable authoritativeness, powers and tools. In 2002 the Sarbanes Oxley Act enlarged and strengthened the authority of the CFO, and restated his responsibilities of joint signature together with the Chief Executive Officer (CEO) on the acts and communications towards the market and the savers. ON the other hand, it should be underlined that in common law countries, the CFO, having a consolidated role and wide competences, was already playing the significant role of “trustee” vis-à-vis the market.

In Italy, even considering the largest listed companies, managers who can be related under profile and a competencies perspective to the Anglo-Saxon CFO, are in the minority. In fact in our corporate culture the main responsibilities of American colleagues are often allocated between several figures such as Administrative Director, Financial Director, Plan Director, and Financial Controller. This has forced the Italian Legislator to define a new internal figure holding an *organic* or *semi organic* position assigned to this responsibility. This solution is certainly useful and practical, aimed to compel companies to revise the internal organizational structure and to decide on the type person who should be appointed to this delicate position. However, additionally Italian enterprises, any of which are listed, have different dimensions and organizational patterns from Anglo-Saxon enterprises.

The role of the administrative, accounting and financial function manager (our Administrative and Financial Officer DAF), appears in the relationships in the local context and is rooted in the Italian system specificities, represented by company dimensions, business models, control structures, local regulations, and reporting systems with other internal areas and professional competencies, not completely comparable with other countries, including European ones. The introduction in Italy of new regulations and in particular of the identification of the DP as the new figure responsible for internal control, a figure that apparently does not consider the above differences, seems to assume the legislator’s desire to stimulate organizational changes necessary for a better responsibility definition within firm’s control activities.

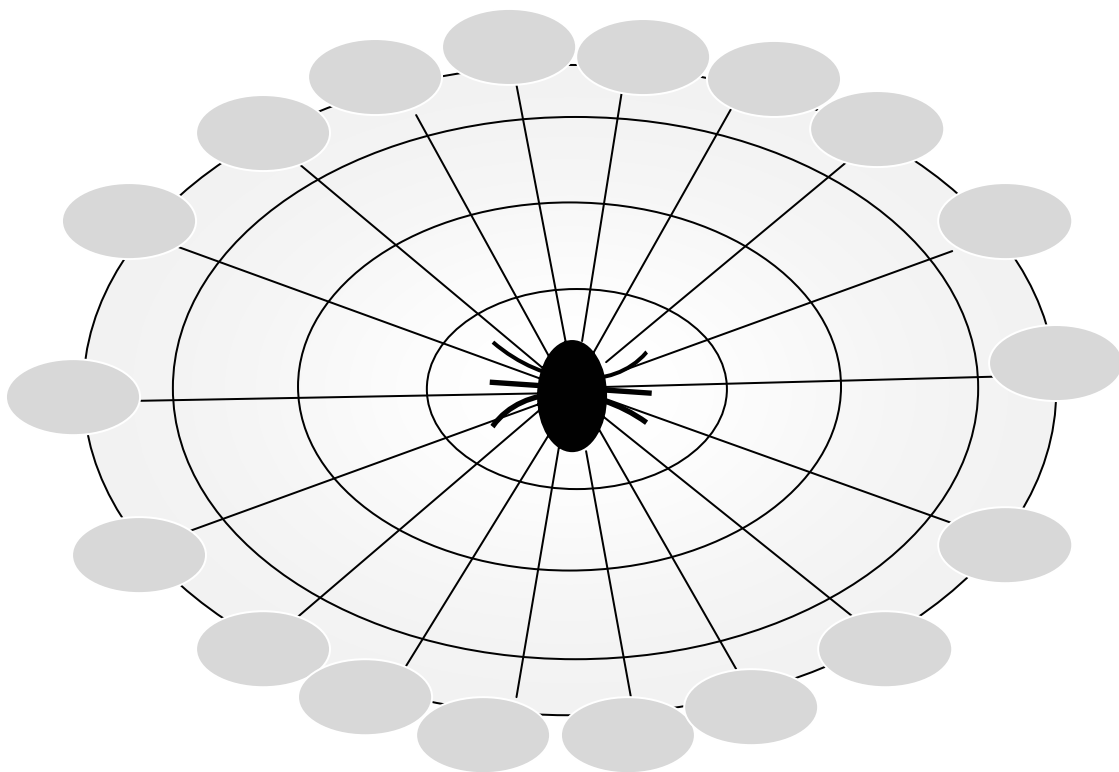
3. “DIRIGENTE PREPOSTO” BETWEEN COMPLIANCE AND PERFORMANCE

In this perspective the changes introduced by the law 262 can be considered as an acceleration that the legislator wanted to impress upon corporate governance in Italian firms. This law inserts itself into a

regulatory and disciplinary context that is in continuous evolution; it is enough to think of some recent new normative innovations such as:

- The New “auto-discipline code” review published by Borsa Italiana SpA, Corporate Governance Committee in March 2006
- The continuity concerning what D.Lgs. 231/2001 (relative to corporate crimes), both for legislator inclination to burden company’s and to referred employee behaviors
- The link with other countries regulations such as the USA Sarbanes-Oxley
- The connection to other European regulations insisting on corporate governance such as Dir. 2003/6/CE (so called Market Abuse Directory), Directive 2003/71/CE, Directive 2004/39/CE (so called MiFid Directive), Directive 2004/109/CE (so called Transparency Directive).

Figure 1 - Governance and Compliance. The Spider Web Model



A further observation arises on the basis of the complexity of the relationships of the firm (and therefore of the managers responsible for the compliance) vis-à-vis the many external and internal figures who have

responsibility for control. This intricate system of controls has created a kind of “regulatory spider web” in which it is difficult to untangle (Figure 1). Facing such an increasingly intense production of laws and regulations in the field, also the firm’s organization has to change, for instance by concentrating the responsibility to define internal rules responding to external laws in one individual function to the so called compliance office. This “conformity department” enforces the verification of the consistency of the internal procedures with the external regulatory and legal system.

As a consequence, both to answer satisfactorily to compliance needs, and to map out an internal government and control model introduced by the Law no. 262, it will be necessary in times that are not easily foreseeable, for a complete update of the organizational and corporate governance settings, hence enacting a process that will probably tend to get Italian firms closer to the management rules in force in Anglo-Saxon countries.

To support this prevision we should also consider the following aspects:

- For all the firms (listed or willing to be listed) both interacting with financial markets and with the intention of interaction with financial markets in the future, foreign investors represent a very important user for financial information, being already well acquainted with the role, responsibility and figure of the CFO;
- The introduction of the CFO (Anglo Saxon model) will progress in Italy, synchronized from a temporal and qualitative point of view, with the introduction of IAS/IFRS and the application of Basel 2 rules;
- A new figure of CFO can favor the development of familiar financial capitalism;
- The responsibility of the Dirigente Preposto is immediate and global and the perception of this role, responsibility and figure is unique.

The topic is clearly worthy of continued specific and in depth research and a confirmation of this hypothesis and outline of the modality of this change should be proven over time.

In the evaluation of actions to be undertaken to encourage Italian firms listed and visible on domestic and international financial markets to become “262 compliant”, we must also consider the increasing attention of the financial community concerning the corporate governance model accomplishment (and so internal organization, procedures, controls, roles and delegations systems, reporting), aimed to protect savers and in general stakeholders interest.

4. PROCEDURES AND CONTROLS ACCOMPLISHMENT

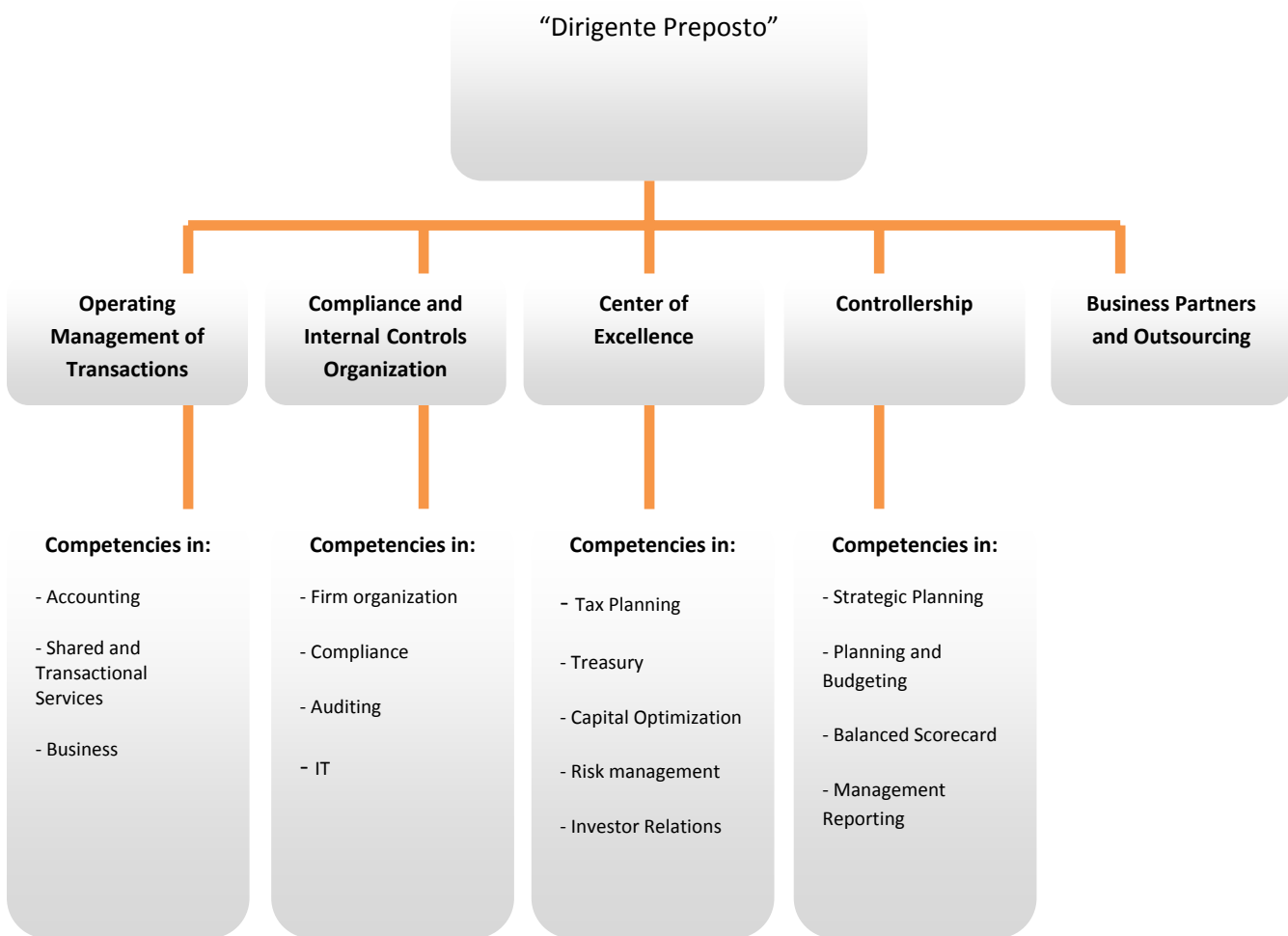
In order to face the several requirements aimed to support the management in decision making and to guarantee financial information to markets, the Italian regulation intervened directly on the role of the Administrative and Financial Officer, increasing his responsibility and tasks, and bringing about a separation from some of the core activities, considered repetitive and less managerial, thus creating shadow areas inside the firm. Between new assigned tasks, beyond the certificate of correct representation of economic patrimonial and financial status along with annual and six monthly reports, particularly interesting is the responsibility entrusted to the Dirigente Preposto to verify the correct design of administrative and accounting procedures, and consequently to implement correct systems of internal control in those defined areas. It is a new position requiring appropriate resources, tools and methodologies to enable efficient and effective execution.

In order to grant the tradeoff between his different roles, the DP/CFO is required to develop several capabilities, also in different functional areas, moreover to activate a governance structure based on different kinds of protection of the procedures and the responsibilities under his control.

The balanced development of all these competencies requires different typologies of intervention:

- Process organization: to exert different types of data protection and to define the responsibilities for assuring the resource alignment and the organizational commitment to the achievement of the operating and strategic objectives;
- Training: courses on core skills and necessary competencies related to knowledge management development, enforce the sense of belonging to a well connected professional family through all the resources under the DP/CFO's control;
- IT: integrated accounting systems (ERP or Enterprise Resource Planning), consolidate data warehouse certified data flow, advanced plan and control systems, forecast models systems, are all necessary tools to allow DP/CFO to accomplish both economical financial information quality assurance tasks and to provide support for business management

Figure 2 - Organizational role played by the CFO



In addition, as underlined before, the law on savings safeguard also entrusts upon the Dirigente Preposto the function to define effective and efficient administration for accounting procedures to prepare the annual report, or where required, of consolidated annual report as well as all other financial communication.

Corporate procedures (sections 3 and 5, article 154-bis), as modified by the Law 262 and from the Legislative Decree December 29, 2006, no. 303, can be generally defined as the representation of the way firm’s activities are carried out following the internal regulations deliberated by the Board of Directors, and the rules laid down by management. Procedures revised by the DP/CFO are in particular the ones which ensure the “reasonable certainty” related to the reliability of financial information and the capability of the processes aimed to prepare the annual report in order to produce the accounting and financial information according to the accounting standards of reference.

The “reasonable certainty” counterparts the remote risk linked to the possibility of producing not-promptly-detected wrong information that has been determined by frauds or non intentional errors

for considerable amounts. Financial information is relevant if its absence or inaccurate representation affects economic or investment choices of its receiver through the annual report. Procedures must contain appropriate controls which are able to:

- Point out the responsibility and the kind of control activity performed (for instance through recalculations and balance checks) and the related outcomes along with the IT systems used;
- Provide the “reasonable certainty” that the transactions are carried out so to enable the observance of generally accepted accounting standards;
- Provide the “reasonable certainty” concerning the prevention or the prompt signaling of non authorized purchasing, use or selling of assets which may have a relevant effect on the annual report;
- Preserve entries accurately, reflecting with a reasonable level of detail, asset transactions and sales.

Therefore the concerned procedures, or better the various company processes that fall within the responsibility of the DP/CFO must be circumscribed.

A restrictive interpretation could lead to limiting his field of analysis to the procedures inherent to the control of the administrative function, that is those procedures which are directly involved in the preparation of the annual report and interim financial information. In this sense only the accounting procedures, i.e. those for accounting recording, the balancing, the information collection, for financial statement valuations and disclosures, would be subject of the controlling activities.

This approach, however, would subtract to the DP/CFO control, that part of the procedures that are outside his sphere of direct competence/responsibility. For instance, one may think of a company where the invoicing process is under the responsibility of commercial department; obviously this process will aim to take care of managerial aspects along with back and front office operational flows concerning administration and selling control, namely the main activities connected to the business.

The virtually unanimous interpretation of this section of the law highlights the Legislator’s objective to fully encumber the responsibility of the DP/CFO, which is not only limited to certify the reliability of annual report, but also to guarantee the correct functioning of the entire information accounting system. This entails a desired intrusion of the competencies recognized by the previous Administrative Officer, who has now to analyze both the operational procedures which are not under his complete responsibility, such as the reliability of control systems, in order to ensure a complete and accurate accumulation of company information.

In performing his tasks and responsibilities and considering the operating guidelines imposed by section 404 of SOA and the field best practices, the “dirigente preposto”, i.e. the person accountable for the reliability of company financial documents, should undertake some preliminary activities such as:

- The definition of a specific compliance project and the establishment of a project committee;
- The assignment of responsibilities inside the team, defining the task of team co-ordination, communicating with the project committee along with controlling the status of the work in progress;
- The definition of the relationships with the Internal Audit unit;
- Determine in conjunction with top management and available authorities, to acquire methodologies and tools to investigate company procedures.

5. THE RESPONSIBILITY OF DIRIGENTE PREPOSTO AND MANAGEMENT CONTROL SUPPORT

In all probability, the fact that the managerial component of the process achieves a higher attention of importance regarding the accuracy of accounting information gathering and corroboration, can not be ignored. This is shown to be more evident in the absence of an integrated process (ERP).

We can conclude that following an interpretation consistent with the TUF 5th comma of art. 154 bis, we must consider as belonging to the responsibility of the DP/CFO all the processes and formal procedures requested by the accounting administrative themes which directly impact on the annual report and consequently on the economic and financial company status, independently from the identity of the process owner.

Additionally, it is evident that the legislator’s reference to the accounting – administrative procedures must be placed in the wider concept of internal control systems. Following the organizational and business sector specifications it is necessary to define the procedures application parameters. By any means, accounting and administrative procedures must foresee that managerial choices are based on a preventative evaluation of the impact on economical financial information.

The new self-imposed Code of Conduct for listed companies updates the notion of control system in liaison with international best practices establishing that:

- The internal control system is the block of rules, procedures and organizational structures aimed to a correct and coherent corporate piloting through appropriate measurement, management and monitoring processes which are the main company risks;
- An effecting internal control system ensures the safeguard of company assets, the effectiveness and the efficiency of corporate operations, the reliability of financial information, and the respect of rules and regulations;
- The Board of Directors evaluates the appropriateness of the internal control system considering the company features;
- The Board of Directors ensures that its decision making and evaluations concerning the internal control system, annual and half yearly reports, the relationships between the corporate and auditors, are supported by a appropriate preliminary investigation activity.

In order to obtain a control, accounting and organizational system capable of allowing not only an efficient management, but also a prevention of distorted behaviors in respect to corporate policies (in some cases real offences), the DP/CFO must be supported by the correct functionality of information systems.

Notwithstanding indeed, the corporate procedures system of the firm must define, if not already detected, a process to predispose and implement appropriate administrative procedures. This process should encompass systematic procedural updates, involving all company functions, and regulate the information flow aimed to submit the company procedures having accounting-financial implications that are about to be issued/updated also to the *ex ante* DP/CFO approval.

The available tools of the management control function and the specific competencies of the personnel of this department must be considered a priority for the DP/CFO. The extensive amount of “sensitive data” necessary to draw up the company annual report obliges to put together with line controls, also general type of controls capable of analyzing variances, abnormal trends, and missed correlations between costs and revenues, etc. This becomes even truer the more the corporate and group structure is complex.

We are in the field of the so called “analytical review” which can offer through valuations on the reasonableness of information, useful suggestions to the DP/CFO for carrying out more specific controls on a given area.

As aforementioned, the function responsible for management control owns the tools, competencies and methodologies necessary for the DP/CFO to carry out his tasks. For this reason it is increasingly important that this function is placed under the responsibility of the DP/CFO.

In light of the 4th section of art. 154-bis TUF (Consolidated Act on Finance) which assigns to the DP appropriate means and powers to exert the tasks under his responsibility, the results of a survey led by ANDAF in collaboration with the University of Pisa clearly show the need to define what duties and areas are under the responsibility of this new figure.

It is evident, as a matter of fact that additional responsibilities in company functions such as auditing, company affairs, planning, legal affairs, risk management, IT, investor relations, are also assigned to the CFO.

Furthermore, in some cases responsibilities for functional areas traditionally outside this figure such as HR management, general services and supplies are assigned to the CFO. Of particular significance is the involvement with the planning function which has a higher strategic content.

Some results of the abovementioned research are reported in the following tables:

Table 1: Missions Assigned to the CFO

ACTIVITY/FUNCTION	% OF FIRMS
Finance	79
Accounting and Financial Statements	71
Tax Issues	67
Management Control	60
Planning	54
Company Affairs	54
Auditing	50
Legal Affairs	41
Social Reporting	36
Risk management	32
IT	29
General Services	29

Supplies	24
HR Management	22
Investor Relations	13

Source: Andaf – University of Pisa Survey 2006

These results indicate how the CFO is becoming a business integrator: from being an “accounting specialist”, in fact he comes to assume a “rounded off” managerial role. The CFO activity is not simply limited to support the CEO or the Managing Director in the production of relevant information for strategic, tactical and operational choices, but also to assist and in some cases substitute for him in managing and monitoring the various corporate functions. Also the international researches show as the CFO has an ever increasing role in the formulation and execution of corporate strategy, being considered an *alter ego* of the CEO: the idea is alignment with strategy not only with the business.

These results have been compared with those concerning the figures that are hierarchically higher than CFO such as the CEO and Managing Director (in the Anglo-Saxon culture in which only one manager is at the top, these two roles are often separated in our country and never assigned to the same person).

We notice that the CEO (inside the functions considered also for the CFO) is mainly involved in the planning function: this allows a systemic feature and a strategic perspective appropriate for a General Manager. The CEO is also involved in general functions which can impact on the entire corporate, not only on a business unit or functional area, but in particular Company Affairs, Legal Affairs, Human Resources, Risk Management, Investor Relations and Quality.

Table 2: functions assigned to CEO

Activity/Function	% Firms
Planning	36
Company Affairs	30
Legal Affairs	16
HR Management	14
Risk Management	10
Investor Relations	10
Quality	9
Supplies	8
Auditing	6
General Services	6
IT	5

Source: Andaf – University of Pisa Survey 2006

6. CFO OBJECTIVES AND INTEREST AREAS

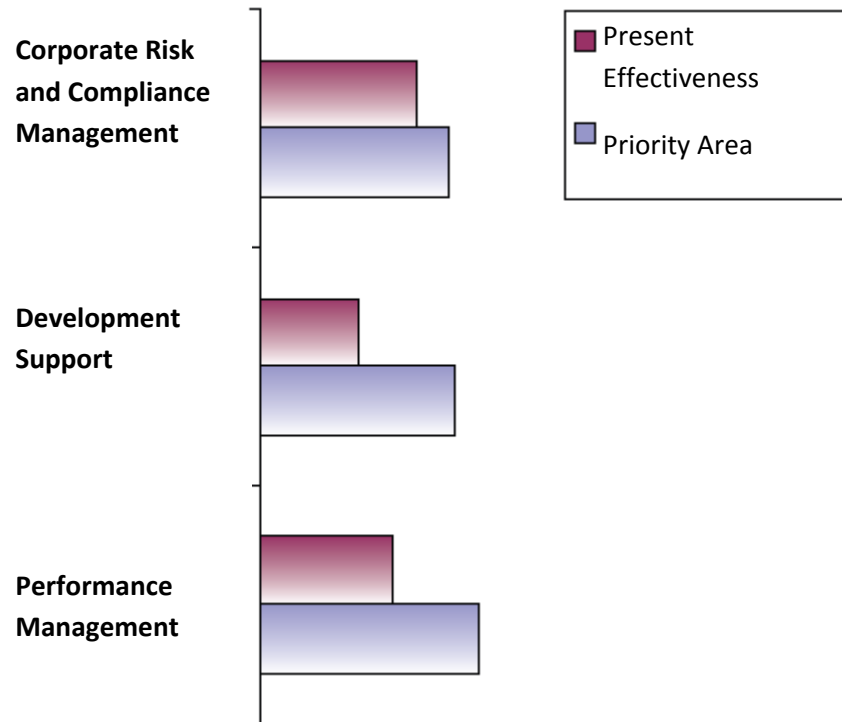
It is relatively clear on what will be the new role assigned to the CFO, but it is also important to understand on what aspects he should focus objectives and professional development areas along with organizational and control protections enhancement.

In this sense the main priorities for the CFO are divided into three areas:

- Developmental Support;
- Risk and Compliance Management;
- Performance Management

Looking to the present situation, we notice that concerning these aspects CFOs do not feel confident in regard to corporate development support activities and performance management.

Figure 3 - Priority areas for CFO



Source: Global CFO Survey 2005 IBM.

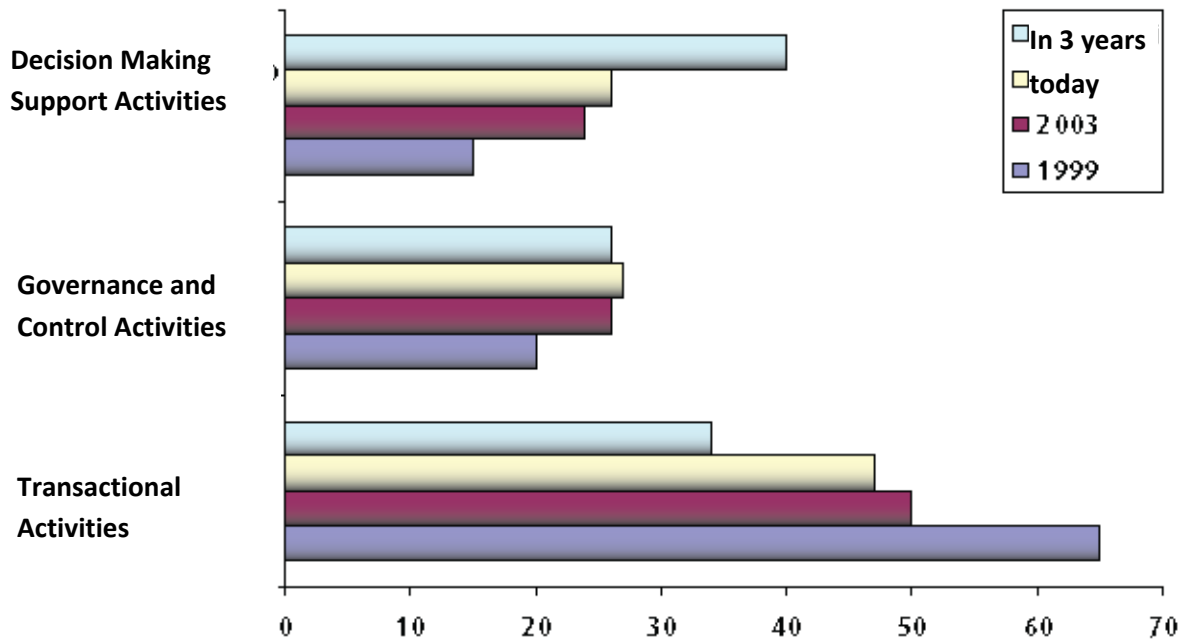
This already apparent gap, is directly linked to the presence of fragmented business processes and complex operative structures which prevent an efficient information integration and an effective business analysis. Investigating the allocation of the activities carried out by Administration, Control and Financial Functions we notice how the incidence of transactional activities (such as general accounting, revenue-credit cycle, expense-debt cycle, tax and commercial law compliance acts) represents 50% of the function's working load, whilst in the latest years the governance and control activities are enhanced, but always at the expense of decision making support and performance management processes.

The challenge for the future is to diminish the weight of transactional processes in order to enable more time for decision making support, in the perspective of reducing the time devoted to the construction of data to the benefit of its analysis. More in depth, the gap in providing analytics about performance is largely amenable to the still insufficient level of information integration: firms have invested in the

improvement of processes and application integration, but we are far from converting data into consistent and promptly available information to quickly take the necessary decisions.

In line with this objective the DP/CFO must intensely collaborate with internal auditing, compliance, organization and risk management functions to achieve an integrated approach in building up an appropriate corporate organization. Initiatives of process standardization and rationalization, which allow to lessen the structural complexity, together with the implementation of information integration, after the integration related to systems, represent in fact the upcoming goal.

Figure 4 - Workload distribution for AFC Function



As stated by the CFO of one of the most important European banks, “the main problem will be to improve critical information integration and sharing between firms, operational units, and technical divisions”. Another statement comes from the CFO of an important American governmental agency “ to be able to crash the barrier and share data from different departments between all”.

In regard to the priority activities of the CFO, the development support is an innovative area compared to previous years when the attention to cost reduction was noticeable instead of development support. This statement obviously reflects the positive changing in the economical cycle. The profitability improvement is the first priority for all CFOs and the main element for shareholders and financial analysts. Nonetheless, CFOs have difficulty in providing foreseeable analysis based on huge quantities of data that they collect.

Financial Officers “have the power to begin the future growth by disaggregating processes and applying innovative methodologies to unblock information, to provide analyses based on true objective facts and to achieve important competitive advantages useful for their firms”, as stated by Nancy Thomas, worldwide responsible for Global CFO Survey 2005. For the CFO it is fundamental to be able to design a coherent control model continuously aligned to corporate strategy. This implies an in depth business knowledge to enable better support of the operations along with a continuous forecast and real time verification of the adherence of actions with defined strategy and objective achievement level.

Also in this case, having a mapping of the information fundamental for business and strategy, providing “role-specific” information on the basis of the involved functions, and utilizing to a larger extent, external data integrated into a robust performance management system, are the most effective approach.

The second priority, risk management is an area where the CFO has a key importance for the noticeable investment completed in the latest years following the tradeoffs imposed by local and international regulations. The most recent changing initiatives are mainly oriented towards consolidating and improving processes and systems as well as introducing and enhancing internal control systems.

Investments in the management of risk and compliance have had an induced effect an improvement in the accounting closure processes, which have become more timely, reliable and with a lesser need for data verification, thanks to the control system enhancement. Risk management and compliance must be seen as a possibility to improve the corporate governance system, actively involving the entire organization. The compliance enforcement, in other words, is not interpreted as a regulatory obligation but as a means to mobilize the organization towards continuous improvement and the control of structural complexity, and also in this case by activating a series of project initiatives aimed to:

- Assign ownership, mapping processes and detecting control points;
- Automate control points in processes in order to enhance operative efficiency levels;
- Develop risk management operative strategies in order to evaluate and manage potential opportunities for company growth and development;

Additionally, being able to support development programs implies CFOs should closely collaborate with all corporate functions in order to:

- Contribute to development strategies planning;
- Implement an analytical accounting system and profitability analysis aligned with corporate strategy;

- Identify and evaluate business opportunities and potential synergies;

The CFO must assume the initiative to standardize simplify and establish common processes capable of rationalizing the myriad of tools and technologies in use for company activity, in order to improve the information integration and its capability to produce analysis.

This first change substantiates in the implementation of standard policies and common business rules for all the group subsidiaries, in the adoption of shared processes, and in the introduction of administrative best practices in order to compare with models which express high operating efficiency.

Finally, the “performance control”, that is pointed out as the third priority area on which to invest, should foresee:

- The engagement of planning, scheduling and reporting processes which actively involve all company functions
- The search for a slim and integrated budget process overcoming the bureaucratic rigidities which are typical of this process;
- The adoption of flexible tools for forecasting and re-forecasting;
- The use of performance indicators located at all the levels of the organization and that are constantly aligned to corporate strategy;
- The alignment of the performance measurement system with the management incentive system to ensure the coherence between company and individual objectives;
- In substance, the creation of an adequate system of “Enterprise Performance Management”.

Obviously these efforts on the processes must be accompanied by a creation of support systems which often must be rethought, also as a whole to allow information integration. All this will force a strong collaborative activity between the firm’s CFO and CEO, in some cases giving rise to organizational changes and to an enlargement of the CFO responsibilities into some areas pertaining to the CEO, in order to guarantee the integrity and correctness of the company “information heritage”, as indicated by the Sarbanes Oxley Act.

7. CONCLUSIONS

The reference to the various regulatory innovations and to the associated operational consequences, which create also in Italy a figure close to the Anglo-Saxon CFO, suggests a reflection upon the new role of the Administrative and Financial Officer and the required enhancement of his competencies as manager of the AFC function and as a supporter of corporate change and development. One has to consider the impact of Law no. 262, which today institutes the figure of the “Dirigente Preposto”, which will progressively extend to the company culture and also to non-listed companies. This rule arises from the centrality of the managerial figure in question, who is at the heart of the firm between the top and the operating structures, and who receives, elaborates and interprets data to the benefit of all.

For this reason the CFO will have to delegate a part of his operational activities to his direct collaborators, defining a development and career plan for his own resources with a specific training path, and looking for a better employee rotation inside both the AFC function and in the different company organizational levels. Only with investment in people will it be possible to really improve the overall effectiveness of the function with regard to the three priority areas previously mentioned, thus emphasizing the undertaken initiatives.

In his new role, the CFO will have to continuously balance compliance and performance through appropriate organizational interventions and the adoption of efficient tools and technologies. Compared to the past, the new role of “complexity manager” will increasingly require to support the CEO in guiding and controlling corporate development by integrating different systems and platforms to provide timely and strategic information for decision making. His capacity to help the firm grow, efficiently balancing the increase of internal and external complexity, represents the very real challenge over the following years.

Also studies conducted at an international level demonstrate how the CFO has an increasingly relevant role in formulating and executing corporate strategy: he is considered more and more as an *alter ego* of the CEO and a sort of stakeholder “trustee”.

An obstacle to these changes, which have been induced by both substantive company needs and regulatory modifications, could derive from the approach or, better, from “resistances” of family business entrepreneurs, who by tradition and culture are reluctant to delegate and involve Administrative and Financial Officer in strategic decision making processes.

The firm organizational culture will be a critical factor which can act, depending on cases, as a catalyst or as inhibitor of the corporate and regulatory evolution process. In the first case, this will bring about a closer partnership between the CFO and the CEO, both associated with the responsibility to build up corporate development and success according to an ethic and transparency based model; in the second case this will lead to a lesser role for the CFO and other managers, who will therefore not be able to contribute to improve the firm’s corporate governance and competitiveness.

News: China, Analysis: Preventing economy from slowing down

China's policy makers are finding themselves slipping into a difficult alley as the Chinese New Year of the Mouse begins amid a likely global economic slowdown, and unexpected havoc caused by an enveloping snowstorm in the country's southern powerhouse, and rising domestic inflationary pressure, which the recent blizzards could make worse.

Against this backdrop, even the best central bankers would scratch their heads hard. To fight inflation, People's Bank of China, the central bank, needs to phase in a tightened monetary policy. But in order to prevent the economy from following the heels of an imminent American slump, or to stand up as a global significant economic engine or star, as widely hoped for, Beijing needs to keep the major world developing machine well-oiled and going up, and up.

Some have advocated that a relatively loose monetary policy be maintained to avert a possible slowdown, which won't bode well for China's nascent property and stock market, and may bring real trouble to China's banks and a fragile financial system, and even endanger job security and social stability.

However, the rising cost of living as a matter of fact, also calls for more reining-in of credit. Back in December, regulators decided to shift the country's decade-old "prudent" monetary policy to a "tight" one to address two of the biggest threats: economic overheating and rising inflation. Last year, China's gross domestic product expanded 11.4 percent year-on-year, while the consumer price index, a major gauge of inflation, jumped to the highest level in more than a decade.

However, sometimes things do change in a glimpse.

The first negative news came from the other side of the Pacific. The economy of the United States started sliding into a possible recession. A recent survey among top American economists puts the likelihood of an American recession at 50-50, up from 30 percent four months ago. The American housing debacle has deteriorated, eating away billions of dollars in mortgage investments and leading to a slew of American heavyweight banks reporting big write-downs and crying for cash. Wall Street is in jitters. Though Bush and Congress rushed up to help with a hastened economic stimulus plan, no one can now be sure to see the ray of light at the end of tunnel.

Merrill Lynch forecasts the world's largest economy, growing a tiny 0.6 percent in the last quarter of 2007, this could contract by 0.5 percent during the first three months of 2008. A slump in the American economy will create big challenges to China's economic well-being, as the two economies are closely intertwined. Any economic

woes will spread worldwide, eroding the market of consumption for Chinese goods. Citigroup research estimates that for each one percent slowdown in the US economy will shave 1.3 percent off China's growth.

The other bad news comes from the home turf: a blizzard at a scale not seen since 1951 pummeled the southern economic powerhouse of China, paralyzing transportation, crippling power supply and making millions of people suffer in extreme cold. The result was a halt of production in many factories -- an unwelcome way of cooling-off in the economy.

Some in China and elsewhere anticipate that the blizzards may drag down China's GDP in January by one percent. As the snow and icy rain continue till after the Spring Festival weekly holidays, as predicted by the weather forecasters, economic growth in February and the first quarter will feel the impact.

Consequentially, it seems improper for Beijing to stick to a "tight" monetary policy, by announcing more interest rate rises, in contrast to US Federal Reserve's incessant rate cuts during the past two months. In fact, the People's Bank of China issued a directive late January, asking commercial banks to give more credit to firms in the southern affected regions to help arrest the disaster. That was interpreted as a policy revision.

Another sign of possible credit ease came from President Hu Jintao. Policy makers should have a clear understanding of current global economic trends, their influences on the home economy especially, and prepare for a fast-changing and complicated situation in 2008, Hu was quoted as saying at a meeting of top Chinese leaders on January 27.

"We have to have a good control over the pace and strength of macro-control, so as to prolong steady, relatively fast economic growth as long as possible," President Hu said. Many analysts saw that as an indication of a prompt policy readjustment in keeping to changes at home and abroad.

However, any ease in monetary policy will be a tough call, as the country is facing the wrath of a climbing inflation not seen in more than a decade. Some newspaper commentators in China have asked for more interest rate hikes. As a matter of fact, to curb the prices of food from rising is the key to fight inflation. Chinese officials have said that the supply of grain, meat, eggs, fruits and edible oil will improve after the spring season, which may keep CPI at bay.

At times like this, there is always criticism of the central bank and other top regulators -- for moving too fast or too slowly, for doing too much or too little. The Chinese economy is so big and complex, and the data so contradictory at turbulent times such as this that even the best economists would disagree sharply.

The side effects of further monetary tightening are obvious. It will make small and medium-sized businesses -- key employers of newly added workers -- hard to get loans, endangering their survival. Any more tightening measures will not be instrumental in generating productivity, which is needed after a terrible storm.

Tightening in the form of rising interest rates, will also force Chinese homeowners to pay higher mortgages, increasing the risk of default. Property developers -- a heavy borrower from banks -- might also fail to make their payment to the lenders. Both scenarios will spell trouble for Chinese banks.

Starve the economy of credit, and it withers. Overfeed it, and it overheats with inflation. Giving the uncertainties surrounding the economy after domestic and global factors are taken into account, it now seems better for the central bank to keep its position, leave the interest rate intact, and the bank reserve requirement on hold for a couple of months, and monitor the latest developments closely before deciding what to do next.

Article quoted from China Daily, February 4, 2008

Article supplied by CACFO, China Association of Chief Financial Officers

News: China Drops IFRS Accounting for Stock Exchange Listed Corporations

The **Chinese Securities and Regulatory Commission, CSRC**, has withdrawn the requirement for corporations, which are listed on Chinese stock exchanges and which issue B-shares, to produce – in addition to financial statements according to Chinese Accounting Standards, CAS – as well financial statements according to International Financial Reporting Standards, IFRS.

B-shares are securities, which are traded in US-Dollar and which, until recently, could only be acquired by foreign investors. At present, of the 1477 corporations, listed on the exchanges of Shanghai and Shenzhen, 109 corporations have issued B-shares.

In February 2006, the finance ministry of the People's Republic of China has passed the new **Chinese Accounting Standards (CASs)**, and has published them. The new CASs consists of one basic standard and of 38 new Chinese accounting standards. They are based on the IFRS, and with a few exceptions, they are equal to the IFRS. The CASs has become mandatory in 2007, whereby listed Chinese corporations must apply them, and non listed Chinese corporations may apply them. Because of the comparability of the CASs and the IFRS, the Chinese Securities and Regulatory Commission, CSRC, has decided, that a dual reporting is not any longer necessary. This decision has been published in Zhengjian Kuaiji Zi (2007), no.30.

Notification about the respective audit situation for the corporations, which are listed on Chinese stock exchanges and have issued B-shares.

Zhengjian Kuaiji Zi [2007] Nr. 30

The requirements for listed corporations, and respectively external auditors, are converging in this year to the international standards, because of the new mandatory accounting and audit standards. Because of this, the formally existing requirements for disclosure of information are being withdrawn. This has the consequence, that corporations have to make their financial statements only according to the new CAS, and not any longer according to the IFRS.

With the day of the notification of the decision of the CSRS, the previous requirements regarding the requirement to make financial statements according to IFRS, have been cancelled, that is paragraph 78 of “content and format norms for the disclosure of information of a listed corporation Nr.1 prospect (notification in 2006)” (Zhengjian Faxing Zi [2006] Nr. 5) and paragraph 9 of “ content and format norms for the disclosure of information of a listed corporation Nr.2 – content and format of the annual financial statements (modification in 2005)” (Zhengjian Gongsi Zi [2005] Nr. 141).

Quoted from BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft (external audit corporation), China Insider Nr.1- January 2008, as well as: Zhengjian Kuaiji Zi [2007] Nr. 30, China Securities and Regulatory Commission, 12.09.07; IFRS News, IASPlus, Deloitte 9/2007

Translated by Helmut Schnabel

News: Americans Want Regulations for State Owned Funds

New York, February 27th, 2008. The US American Ministry of Finance is urging for regulations regarding state owned funds from Asia and the Near East, which recently have heavily invested in hard hit US American banks. According to press reports, representatives from the state funds Abu Dhabi Investment Authority and Government Investment Corporation from Singapore, have met last week for talks with a delegation of the US Finance Ministry. The US Ministry wants to get the promise from the funds, that they will not use their investments for political purposes. The talks are part of the negotiations all over the world regarding guidelines for the supervision of the funds.

It is a delicate matter, because, in view of the turbulences of the financial markets, the banks need the money from the funds, in order to improve their equity position. So far, the state owned funds have not bought more than 10 percent of the shares of US American banks. Their participation would cause an examination as regards national security aspects. Among the financial giants, in which state owned funds have invested, are large institutions which are stumbling because of the subprime mortgage crisis, such as City Group, Merrill Lynch, and the Swiss UBS.

So far, the state owned funds have termed their investments as passive investments and have not asked for a representation in the supervisory boards of the banks. Upon the initiative of the US Americans and Europeans, the International Monetary Fund is working on a voluntary code of conduct for state owned funds.

Content of the article quoted from Frankfurter Allgemeine Zeitung, February 28th, 2008

Translated by Helmut Schnabel

News: European Union-Commission Rejects Rules for State Owned Funds, McCreevy: Voluntary Code of Conduct for More Transparency Is Sufficient

Brussels, February 27th, 2008. The European Union-Commission has clearly rejected requests for new legal requirements for non European state owned funds. The responsible internal Market Commissioner Charlie McCreevy said on Wednesday in Brussels, the commission does not see grounds on which to install new regulations for investments by state controlled funds in Europe. He said that there is no reason for this, after the positive experience with the engagement of such funds in the European Union in the past decades. It is said to be enough, when state owned funds obligate themselves to more transparency.

At the same time, European Union Economic Commissioner Joaquín Almunia warned the European Union member states from erecting such arbitrary hindrances for state owned funds. The European Union laws already define clear limitations to them. States can prevent investments only for the protection of the national security or the public interest. This applies to private as well as to state controlled investors from the European Union as well as from other states of the world.

The European Union-Commission is thereby reacting to the growing criticism towards state controlled investors from Russia, China or the Arabian oil producing states, in a few European Union states. Also in Germany, a heavy debate has been started, because one is afraid, that Chinese government with its high foreign exchange reserves, or half state owned enterprises like Gazprom from Russia could take over strategically important company groups. Also, deliberations are playing a role, as to whether political purposes could be pursued with such investments. In reaction to this, the German government wants to check all future investments from non European Union countries of more than 25 percent in company groups. Should it be the case, that for instance investments would endanger “the strategic infrastructure” – especially in the energy sector – or the “public safety”, then the ministry of finance should be allowed to forbid such an investment in the extreme case.

European Union commission president José Manuel Barroso said, the European Union must remain open for capital investment. “State owned funds are not standing before the door like the big bad wolf”. They have rather helped recently, to stabilize the financial markets, by providing liquidity, said McCreevy. Accordingly, City Bank and the equally suffering, from the mortgage crisis, banks Merrill Lynch and Morgan Stanley, received capital injections from Arabian and Asian state owned funds.

Other than that, everybody who argues in favour of regulations for state owned funds must be questioned in the following way: “What is the difference between state owned funds and state controlled company groups?” Also, the Federal Association of German Industry (BDI) has recently pointed out, that also German state owned corporations like Post (mail), Telecom, and Railway Corporation, are buying company groups abroad, and in this case the German government is insisting on the free flow of capital investment.

In order to increase trust in the state owned funds, the European Union Commission wants them to agree to a voluntary code of conduct. With this, they should, among other things, disclose, what their relationship is to their perspective government, how much investment money they are holding, and what is their investment strategy as well as their risk management. He is confident, that the state owned funds will agree to this, said McCreevy. In the improbable case, that this may not be so, the European Union should go other ways. Legal regulations, however, are said, to only make sense, if they are being agreed upon on an international level and not only on an European Union level. As regards this, the European Union Commission obviously has not a common voice, Barroso said: “If we can

not achieve voluntary results, we shall propose European Union legislation, this I already made clear.”

The European member states want to discuss about a proposal of the commission regarding state owned funds on the occasion of the upcoming meeting, in mid March, of the state and government heads. The European Union Commission then wants to elaborate the code of conduct jointly with the International Monetary Fund, IMF, as well as the Organization for Economic Cooperation and Development, OECD.

Article quoted from Frankfurter Allgemeine Zeitung, February 28th, 2008

Translated by Helmut Schnabel

News: Australia Arming Itself Against State Owned Funds

Singapore, March 3rd, 2008. The Australian government is erecting higher fences for the protection against foreign state owned funds. Because of its wealth of mineral resources, the country is especially in the focus of state owned investment companies from the Asian emerging market. The secretary of the treasury, Wayne Swan, has now introduced six guidelines, against which he wants to screen future investment projects of state owned funds.

In the future, the government will examine how independently from the respective foreign government the foreign investor is acting. Also, one shall look after, whether the acting of an investor is in line with conventional business practice. In addition, one shall examine, whether an investment will lead to an excessive concentration of the controlling position in an industry sector, or whether the tax income potential of Australia might be impaired by this engagement. Also, one shall examine a potential threat to the national security of Australia and a negative influence on the domestic economic climate, or an Australian corporation.

These very broad guidelines make it possible for the Australian government, to practically prevent an investment project at any time. "Investors, with relationships to foreign governments, might not invest exclusively for commercial reasons, but might pursue broader strategic or political objectives, which might go against Australia's interests", warns Mr. Swan.

Analysts are estimating that state owned funds around the globe have an investment capital of up to 3 Trillion US-Dollars. Australia has already worked on the guidelines since quite some time, but has deferred the presentation until now.

Article quoted from Frankfurter Allgemeine Zeitung, March 4th, 2008

Translated by Helmut Schnabel

News: The Supervisory Agencies Must Learn From The Crisis

The regulations for capital adequacy for the business of loan making banks have shortcomings. At present there exist no incentives for the banks, to maintain sufficient liquidity.

March 5th. While the markets are still struggling with the effects of the financial crisis, the discussion is in full swing already as to the consequences which must be concluded by the banking supervisory agencies from the recent past. Just now, the banks are applying the newest regulations regarding the underlying equity according to Basel II, which has caused certain fatigue vis á vis new regulations and laws. In spite of this, the participants at a London conference of the Financial Markets Group, Deutsche Bank and the London School of Economics (LSE) concluded, that the present regulations for the underlying equity according to Basel II have shortcomings.

In essence, the discussion centres on the latest financial crisis, that has not been caused by banks having not enough equity, but rather because all of the sudden they could not any longer refinance themselves sufficiently in the market and thereby were sliding even deeper into liquidity problems. "The present requirements of capital adequacy according to Basel II are insufficient with regard to the maintenance of liquidity by banks. They work in an extreme crisis even contra productively, because with an increasing risk in a financial crisis they require a higher capital adequacy while at the same time not considering the liquidity problems of the banks. Therefore they act pro-cyclically", warns **Charles Goodhart**, former LSE professor and former advisor of the Bank of England.

"The requirements of Basel relate only to the capital adequacy as regards risks which are kept on the balance sheet. They barely relate to potential liquidity shortcomings of the banks and they do not include risks of off balance sheet positions" are criticising the experts of the Financial Markets Group. The present architecture of the Basel capital adequacy requirements is therefore insufficient for the stability of the financial system. **Danièle Nouy** from the French Banking Supervisory Agency, member of the Basel Committee for Banking Supervision and until recently Chairperson of the European Committee for Banking Supervision, underlined, that one is ready to revise the Basel requirements. The Financial Markets Group is pressing, like other market observers, that the supervision system must create incentives for the banks, to hold on to sufficient liquidity. Presently, the banking supervision regulations contain no requirements regarding a minimum liquidity and also no requirements to maintain an adequate liquidity.

It is also being discussed, in addition, whether regulations should be build into the supervision mechanisms, which relate to a change in the business model of the bank or to the extreme growth or certain asset and balance sheet positions. This might have possibly stopped the enormous expansion of the insufficiently refinanced mortgage business of Northern Rock. Instead of requiring an underlying equity with regard to the absolute amount of risk, one could envision an underlying equity requirement with regard to the growth of balance sheet positions and risks.

Markets participants are also calling for increasing the transparency of complex credit derivatives. There are at present no requirements, that investments banks must regularly give information about the securities portfolio, which is used as security and reference for credit derivatives. Also, when using structured credit products, it should made transparent, who ultimately is bearing the default risk. Only then market participants can better evaluate the risks of the products, and supervisory agencies would have a chance, to realize systemic risks of the market.

Nouy emphasized further on, that the Banking Supervisory Agency should have better screened valuation models of the banks and their risk management. The present valuation models extrapolate essentially the past and they do manage to recognize upcoming crises or chain reactions and herd behaviour of the market participants. This would have been important in the latest crisis.

“In the end, however, we do not need ever more new rules. We must only apply the spirit of the present requirements responsibly”, underlines **Hugo Bänziger**, member of the board of management of Deutsche Bank for risk management. An independent risk management, an evaluation of the risk positions of the bank by the controlling, and a measured diversification of the financing sources are said to have made it possible for the Deutsche Bank to early on recognize the risks of the upcoming crisis and to drastically reduce the risk positions from April 2007 to October 2007. Also it is being said, that the bank has been protected from liquidity shortages.

In spite of this, Bänziger draws consequences from the crisis for Deutsche Bank: in the future the bank must even further increase the liquidity of its portfolio, must even faster securitize mortgages, acceptable for securities lending transactions with the European Central Bank, and must make customers pay more for the provisional liquidity. Too late it has been recognized, how important it would have been, to screen the stability of customers such as for example special purpose vehicles like conduits and structured investment vehicles. In addition, securities for trading purposes for the customers had been secured on the one hand. But this hedging could not be examined sufficiently with stress tests. Also, the valuation method of the so called value at risk has been insufficient with regard to the upcoming crisis.

With the view to the fraud case at Société Générale, Bänziger was underlining that the internal control mechanisms ought to be excellent, so that dishonest traders could be discovered immediately. The Deutsche Bank is said to discover every year one to two such candidates within their own ranks. “What is important, though, is that in the board of management and in the supervisory board sufficient professional knowledge exists, in order to understand, what is going on in the market and in the bank. Good risk management must be present until up into the top of the bank, and the business model of the bank must be allright”, underlined Bänziger. This is said, not to have been the case with the German Landesbanken (State Owned Banks) which have been damaged in this crisis by especially high losses.

Quoted from Frankfurter Allgemeine Zeitung, March 6th, 2008

Translated by Helmut Schnabel

News: „The Financial Acrobatics Have Gone Too Far“

Talk to: Allianz member of the board of management Joachim Faber about the lessons of the crisis

Mr. Joachim Faber is responsible for the asset management business of Allianz Global Investors, with a volume of round about 970 Billion Euro.

Many banks and insurance companies are presently fighting with high losses from the crisis in the financial markets. Why was the asset management firm Allianz Global Investors (Allianz GI) not affected?

We had already warned in March 2006, that with structured credit products a danger for the financial markets is building up. Our U.S. American Asset Management firm Pimco, responsible for investment strategy in fixed income at Allianz GI, had therefore reacted already very early and positioned itself accordingly cautiously in the market.

For this, however, Pimco has also paid a price?

This is right. We had at the end of 2006 and early 2007 an unpleasant underperformance, but presently we are positioned superbly. We have avoided losses, and we can now utilise attractive opportunities in the market. This success, although, is based on our stringent principles, which we apply in portfolio management.

You had not to rely on credit insurance by way of the so called monoline-insurers?

No. But we have also never relied on the evaluations of the rating agencies. Instead, with every investment decision, we have analysed and evaluated the cash flow of each investment ourselves. Credit products are not trivial business. For this, one needs highly qualified professionals and systems, with which these professionals can model each cash flow. This is expensive, and only a few companies can afford these expenses.

You have avoided the investment in complex credit derivatives?

We have invested in CDOs only very cautiously, and equally so as regards structured credit products. We are obligated towards our customers, to supply a long-term outperformance. Short-term achievements to the upside, at the cost of the long-term value appreciation, are not strived for by us.

Should the supervisory authorities have regulated and limited the business with structured credit derivatives?

The supervisory agencies are only a part of the solution. My position is, that the financial acrobatics have gone too far. With the complex credit derivatives, and with the circle of ever more credit creation based on such products, the financial markets have lost touch to the ground. They have loosened themselves from the real economy, and they have created with their transactions no value added for the real economy. Here I have become sceptical. This financial acrobatics was not based on real value creation, and this dangerous.

Now the banks are paying the price with high losses of value in their business.

It is much worse. The crisis has now direct results on the real economy. The financial crisis has at the end resulted in that the risk tolerance of the banks in the present situation has become extremely low. This reduces the credit creation and it paralysing the economic

growth, although we have a very solid business scenario. This is a situation, from which one must learn.

Will the interest-rate-cuts of the American Federal Reserve Bank help in this crisis?

No. This is not sufficient. The crisis will continue for some time. We still do not know exactly, which market participants have which valuation losses from this credit crisis in their books. Of the estimated 300-400 Billion U.S.-Dollar losses, so far only around 140 Billion U.S.-Dollar can be attributed to known market participants. As to the rest, we have no idea.

The real economy is threatened by a significantly reduced readiness of the banks to make loans?

Yes, the business model of the banks must be remade. The advantage of the banking business really is, that the banks are financing themselves favourably, and that they achieve in the market a higher interest on handing out their loans to the customers, that is a positive interest margin. This is not functioning at present. Banks must refinance themselves in the market at higher interest rates, than they receive on the other side from their customers. This has ominous consequences for the real economy.

Do you see the future dark?

This financial crisis will not be over within one quarter. But it would be wrong, to see everything only negatively. The emerging market countries today have a weight in the global export business, in the accumulation of foreign exchange reserves, and they make up such a big portion of global growth, that the traditional pattern of recessions of the past does not apply anymore.

Are you a believer in the theory of the economic decoupling of the emerging market countries from the dominance of the U.S.-American business cycle?

Yes. We shall not see a world recession, which will last 18 or 24 months. It is not so any longer, that the world is catching a flu, when the United States are coughing. Possibly, the United States are already in a recession, and Europe will be impacted thereby. But in Europe there will not come up a recession, and in the emerging market countries growth will continue.

Can investors then be confident?

For investors there are presently excellent chances in the bond market, especially in the markets of the emerging market countries. Beyond this, there will be good opportunities in the equity markets of the emerging market countries, in the so called BRIC-countries or the so called Next 11, as well as with theme funds like Eco Trend-Funds or Demographic Funds, in the next 24 months. Thus, the investors can utilize a variety of investment opportunities, even in this crisis.

Talk was conducted by Mrs Bettina Schulz

Article from Frankfurter Allgemeine Zeitung, March 6th, 2008

Translated by Helmut Schnabel

News: Supervisory Authorities Under Cross Fire, Financial Industry Is Wrestling With the Consequences from the Crisis.

London, March 18th. Representatives of the Committee of European Securities Regulators, and representatives of the banking industry, have started talks about a smashing report of the banking and market supervisory authorities. This critical report had been requested to be made by the economic committee of the European Parliament, and it was issued in December. It is accusing the supervisory authorities, to have acted negligently in recent years with regard to the rapid growth of risk positions in the market. It is said, that in the end the system of supervision and of the Basel equity requirements has failed.

The study has been made by professors of the University of Cambridge, U.K.. The study requests, that banks, in the future, ought to show liabilities from structured financing corporations (structured investment vehicles) on their balance sheets. Further on, they ought to always keep on their books a portion of sold CDO-programs. In addition, all banks should undergo a stress test every six months, controlled by the supervisory authorities.

The report makes the request, that anti-cyclical elements should be built into the equity adequacy requirements for banks, in order that such regulations not tend to suffocate banks in a crisis, whereas not forcing them in good times to set aside sufficient equity and liquidity. In addition the negative effects of accounting at market values should be alleviated in order to avoid emergency sales / fire sales of risk positions. It is further requested, that rating agencies should not be allowed any longer to issue ratings on liquidity. This service industry ought to even have it's own supervisory agency.

All supervisory agencies are under severe cross fire from the study. Neither, it is said, had the British FSA seen coming the difficulties at Northern Rock, nor had the German financial supervisory agency early enough recognised the dangers at IKB-bank, nor had the American SEC realised the seriousness of the crisis at Bear Stearns.

Quoted from Frankfurt Allgemeine Zeitung, March 18, 2008

Translated by Helmut Schnabel

**News: New Accounting Regulations Exacerbate The Crisis.
Critique against IFRS-Regulations for Valuation at Market Prices. Uneven
Interpretation Irritates Competition**

Frankfurt, March 18, 2008. In the financial markets, worries are increasing, that the new IFRS valuation regulations exacerbate the actual crisis. The regulation according to which banks have to value assets at the actual mark to market, is said, to accelerate in some markets the downhill falling of prices, experts are criticizing. In addition, regulations can be interpreted in different ways, particularly because internationally harmonized application regulations are missing. This, is said, contributes to the distrust among banks.

The new accounting regulations "International Financial Reporting Standards", IFRS, which most of the large European financial services corporations must apply since a few years, prescribe for many assets the valuation at actual market prices. In recent times, there is evidence, that this can cause a downside spiral

The background: Because of the market price losses at bonds and other assets, numerous banks are asking their debtors, as for instance hedge funds, to collateralize outstanding loans with additional securities. This forces some funds to emergency sales, for instance of bonds. Such emergency sales cause market prices to fall further. The mark to market regulation forces then all other market participants into valuation corrections, which show up as losses in the profit and loss statement. This can cause further emergency sales, which drive market prices even further down.

Behind the mark to market regulation stands the idea, to inform shareholders of a bank better than formerly about the effective situation – in order to give the shareholders a better performance control of the management of the bank. This is meant to avoid, for the shareholders, the creation of hidden reserves, which is barely recognizable – and in bad years, the silent reduction of such reserves. No thought was given, it seems now, that situations like the present one can arise, in which the regulation acts pro-cyclically and thereby intensifies the crisis.

As regards to the details of the regulations, which assets must be priced with mark to market, such regulations are complex and lend themselves to interpretation and offer various choices to the banks. Some experts are complaining that banks balance sheets are therefore in the meantime not any more comparable. According to IFRS, the banks must classify all asset classes in one of the three categories. In the first category assets are taken, which the bank plans to hold until the end of maturity ("held of maturity"). Somewhat simply said, this asset remains for the entire life time in the balance sheet at nominal value. Interim price fluctuations are not accounted for. By contrast, all assets which a bank is holding for securities trades, for some time only, must always be accounted for mark to market. Is the price of such a bond or equity sinking, this is reflected fully as loss in the profit and loss statement – which presently, in light of falling prices in many markets, leads to a downwards spiral. Assets, which a bank wants to hold for a transitional period, are being classified into a third category ("available for sale"). If the value of such an asset is changing, this is not booked in the profit and loss statement, but it is booked in the balance sheet position new valuation reserve – and it increases and decreases the equity.

If there is – as it is presently often the case – no market price for an asset available, due to lack of demand, it is allowed, after agreement with the external auditors, to use a former price. If this is not been considered as adequate due to recent price changes, the present price of a similar asset will be applied. If this not possible either, the present value of the assets must be computed according to a financial mathematical formula. However, there are

different mathematical formulas, which lead to different results – which can then provoke the critique that an outside auditor is treating the company tougher than competitors. In addition, it is often to be disputed, which model is adequate to a highly complex financial instrument.

A further point of dispute seems to be, as to how far the liabilities of a bank – for instance bonds or certificates issued by the bank – must be, or may be, valued at market prices. Mark to market valuation of liabilities can lead to almost paradox results: If, for instance, a rating agency is lowering the rating of a bank, and if, consequently, the price of a bond issued by the bank is falling, it then results for the bank, via valuation mark to market, a book profit. In line with US GAAP accounting regulations this effect has improved the fourth quarter earnings of US American banks in part considerably. It is being said, that mandatory IFRS-regulations in Europe are much more restrictive when it comes to mark to market valuation of liabilities.

Content quoted from Frankfurter Allgemeine Zeitung, March 18, 2008

Translated by Helmut Schnabel

News: Code of Conduct for State Owned Funds USA Agrees With Singapore and Abu Dhabi

Washington, March 21st, 2008. The USA has agreed with the state owned funds of Abu Dhabi and Singapore on a code of conduct for investments. In this code, the governments of Abu Dhabi and Singapore are promising, among other things, to make investment decisions only with a view to economic considerations and not to pursue political objectives. US American finance minister Henry Paulson said, following the negotiations, that the code of conduct supports multilateral efforts of the IMF and OECD.

In a news release of the participants of the negotiations, it is being said, that the state owned funds should formally assure, that “the investment decisions are based exclusively on economic considerations, and do serve neither directly nor indirectly the realization of the political objectives on behalf of the governments controlling such funds”. The state owned funds are obligating themselves for a high degree of transparency and for a fair competition with private investors. Receiving countries are promising, not to erect investment hurdles and not to discriminate against state owned funds versus private investors. Also, such investments should not be steered by the governments of the receiving countries into a specific direction.

The US American government is already, since long, urging for a code of conduct for state owned investment funds. It reacts thereby to the often uttered worry, that foreign governments would utilize their financial power, in order attain political objectives, which might oppose US American interests. State owned funds from countries as Singapore, Abu Dhabi, or China, own assets of around 3 Billion US-Dollars. They result mostly from trade surpluses of these countries, for instance from oil exports. The executive directors committee of the IMF also wanted to deal with the subject on Friday, and decide on further steps on the way to a multilateral code of conduct.

Content of the article quoted from the Frankfurter Allgemeine Zeitung, March 22, 2008

Translated by Helmut Schnabel

News: IMF – Code of Conduct For State Owned Funds

Washington, March 24, 2008. The International Monetary Fund (IMF), will continue to work on a code of conduct for state owed funds. The executive directors committee of IMF has supported a respective plan of the staff. Representatives of the IMF will meet, in coming months, with representatives of state owed funds, in order to prepare a draft for such code of conduct. The intention is to have a draft completed by October 2008.

The objective of the agreement is to reduce the reservations, partly significant, on behalf of the western industrialized countries against state owed funds from emerging countries like China, Russia, and Saudi Arabia. The spread out rejection stems from the fear, the funds might pursue, with their investments, not exclusively economic interests, but also geopolitical objectives. State owned funds, such as one exists in Norway as well, exist only since half a century. Only in the past 10 to 15 years, their assets have increased significantly, among other reasons by way of income from the oil business. The IMF is estimating, that state owed funds presently have 3 Billion US Dollar assets under management, and that this sum might increase in the next 5 years to 10 Billion US Dollar.

Article quoted from Frankfurter Allgemeine Zeitung, March 25, 2008

Translated by Helmut Schnabel

News: Paulson Backs Regulatory Overhaul, Broader Fed Role

March 31 (Bloomberg) -- Treasury Secretary Henry Paulson proposed the broadest overhaul of U.S. financial regulation since the Great Depression, saying the system for overseeing American capitalism needs to be better prepared for "inevitable market disruptions."

"Our major financial services companies are becoming larger, more complex and more difficult to manage," Paulson said in remarks at the Treasury in Washington.

Paulson's 218-page "Blueprint for Regulatory Reform," commissioned two months before credit markets seized up in August, said more rules aren't "the answer" to the current period of turmoil. The former chairman of Goldman Sachs Group Inc. said the structure of regulating banks, securities firms and insurance companies is outmoded, and the Federal Reserve should expand its oversight of financial services beyond banks.

"We should and can have a structure that is designed for the world we live in, one that is more flexible, one that can better adapt to change, one that will allow us to more effectively deal with inevitable market disruptions, one that will better protect investors and consumers," Paulson said.

The Fed, which earlier this month engineered JPMorgan Chase & Co.'s purchase of Bear Stearns Cos. and became lender of last resort to the biggest bond dealers, will oversee "market stability," under proposals Paulson unveiled. The Securities and Exchange Commission, traditionally the main regulator of Wall Street firms, will be merged with the Commodity Futures Trading Commission.

Most of Paulson's proposals will require congressional approval.

The Treasury recommended that the Fed share authority over banks, securities firms and insurers in monitoring corporate disclosures, writing rules and stepping in to prevent economic crisis.

"To do its job as the market stability regulator, the Fed would have to be able to evaluate the capital, liquidity and margin practices across the financial system and their potential impact on overall financial stability," Paulson said.

The plan also suggests a distinction be made between the Fed's "normal" lender-of-last-resort discount window to help banks meet short-term funding needs and "market stability" lending to help stave off funding shortages and panics. In that function, loans could be extended to federally chartered insurers and financial institutions.

"The Fed must have the necessary information to perform its role as it temporarily provides liquidity to non-banks," Paulson said. "But it would be premature to assume these institutions should have permanent access to the Fed's discount window and permanent supervision by the Fed."

"As we look at today's financial markets, the lack of a comprehensive design of supervision is clear," Paulson said. He added that "with few exceptions, the recommendations in this blueprint should not and will not be implemented until after the present market difficulties are past."

Still, expanding the Fed's role to stabilize markets would exacerbate the "moral hazard problems" stemming from the central bank's decision to lend money to investment banks after the near-collapse of Bear Stearns, said Crandall, who used to work at the New York Fed. So-called moral hazard is the notion that bailouts encourage financial companies to take risk because they assume the government will always come to the rescue.

"The Fed would have the authority to go wherever in the system it thinks it needs to go for a deeper look to preserve stability," Paulson said.

"The Fed will collect information from commercial banks, investment banks, insurance companies, hedge funds, commodity- pool operators," he added. "Rather than focus on the health of the particular organization, it will focus on whether a firm's or industry's practices threaten overall financial stability."

Quoted from Bloomberg, March 31, 2008



**FINANCIAL EXECUTIVES INSTITUTE
OF THE PHILIPPINES (FINEX)**

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INTERNATIONAL ASSOCIATION OF FINANCIAL EXECUTIVES INSTITUTES

The Philippines CFO Study

The Rise, Evolution and Future Path of the Philippine CFO

September 30, 2006



A Message

from the IAFEI Chairperson



DR. CONCHITA L. MANABAT

On behalf of IAFEI, I am delighted to present the Philippine CFO Study Report, 2006, a report on the Rise, Evolution and Future Path of the Philippine CFO.

This report is the natural culmination of the Philippine CFO Study, one of the first country specific study undertaken by IAFEI as a part of its Global CFO Study Initiative, 2006.

The increasing complexity, chaos and competitiveness of the global marketplace coupled with relentless changes in the corporate organizational structures have resulted in the emergence of the CFO as one of the emerging leaders of a business, and a strategic partner of the CEO. Going forward, we expect that the CFO role will continue to expand, evolve and increase in significance.

The Global CFO Study has been launched by IAFEI to understand this important phenomenon and undertake comprehensive and coherent analysis of the transitioning role of the Global CFO.

The study plans to measure CFO perceptions across the world to obtain a deeper and broader understanding of transitions in:

- The CFO profile – who is the CFO, what is the CFO background and skills set and what are the CFO's changing skills needs;
- The CFO position and priorities – what are the trends in the CFO function, priorities, challenges and focus; and
- The CFO path – what is the CFO career path, sources of CFO recruitment and future path of the CFO.

The Philippines CFO Study report presents these findings based on the perceptions of CFOs and Finance Leaders from the Philippines marketplace.

We are grateful to FINEX for partnering with IAFEI in this significant undertaking. We especially thank the FINEX International Relations Committee for their committed collaboration and unyielding support without which, this study would not have been possible. Finally, our deep appreciation and gratitude go to the Philippine CFOs and Finance leaders who, despite busy schedules, made the time to participate in the survey and share their perceptions, insights and experiences – Thank you!

I hope that the findings this study will not only provide you meaningful insights on CFO trends in the Philippines, but will also reaffirm the CFO's increasing significance and influence in the Philippines landscape and indeed, the global marketplace.

Dr. Conchita L. Manabat
Chairperson, International Association of Finance Executive Institutes

A Message

from the FINEX Chairperson



David L. Balangue

My warmest congratulations to IAFEI, in close collaboration with FINEX by way of its International Relations Committee, in undertaking *The Philippine CFO Study*. A close twin of the IAFEI and GEFIU successful collaboration, *The German CFO Study: The Rise, Evolution and Future Path of the German CFO*, the IAFEI-FINEX Philippine Study is an interesting and valuable compendium of perceptions of Philippine CFOs and finance decision makers in today's rapidly globalizing economy.

Through the Study, we appreciate the cognizance of the Philippine CFO in understanding the maturation of the CFO's persona and skills to meet greater and more complex expectations of his stakeholders. The evolving environment resulting from events even in far-off markets demands a new breed of CFOs to meet the challenge of being subject to higher and more stringent performance expectations. Moreover, the Philippine Study underscores the precept that the CFO is a universal citizen who is expected to operate with the same ethics, knowledge, standards, and mores of his counterparts in other, more developed parts of the world.

In joint sentiment with IAFEI's Dr. Manabat and GEFIU's Herr Schnabel in *The German CFO Study*, we hope that *The Philippine CFO Study* will likewise provide the reader with valuable appreciation and discernment of the challenges facing the 21st century CFO in the Philippines and in tandem with our rapidly globalizing economies *sans frontières*.

David L. Balangue
President, The Financial Executives Institute of the Philippines

Highlights of Key Findings

CFOs see significant transitions in their function, focus, priorities and challenges, and are consequently reassessing their skills set and education needs. Changes in the 'CFO experience' are making CFOs better prepared for the CEO role, and many CFOs expect to assume CEO positions during their careers.

TOPIC	HIGHLIGHTS
Career Progression	CFOs increasingly expect to move to the CEO role in their career progression and feel confident that their CFO role has adequately prepared them for the CEO position.
Evolving Function and Focus	The CFO function has rapidly expanded in the areas of business corporate strategy and corporate governance management while CFOs expect to participate more in M&A transactions going forward. CFOs expect to increase the time they spend in these areas.
New Priorities	CFOs say their top priority and biggest challenge 3 years from now will be contributing to strategic decisions. The CFOs' top priority currently is driving cost reduction
Evolving Challenges	CFOs say that their biggest challenge going forward would be contributing meaningfully to strategic decisions and playing a leadership role in the company.
Expanding skills set Needs	CFOs perceive a need to have wider non finance skills set for CFO success, especially in areas of general management, communication with the BOD and marketing and sales.
Transitioning Educational needs	CFOs are increasingly considering general management education, in addition to finance specialization as important for CFO success.
CFO Accreditation	More than 60% of the CFOs say that a Global CFO Accreditation Program is becoming necessary given the unique combination of skills and knowledge that a CFO must possess.

It is abundantly clear that the CFO experience has not only expanded in scope, but also in leadership expectations, and CFOs are increasingly assuming functions that belong to the CEOs traditional role.

CFOs clearly expect this expansive trend to continue in the near term. Not surprisingly, most CFOs feel confident that their CFO experience is adequately preparing them for the CEO role.

These trends are interesting, as they point to blurring zones of responsibility in the CEO and CFO function. It would be interesting to see how CFOs progress on this path: does this trend stop with co-responsibility for corporate strategy and M&A transactions, or is co-leadership the end point of this evolving trend?

Methodology



The Philippines CFO Survey was undertaken by IAFEI in partnership with FINEX, with the objective of measuring the perceptions of CFOs in the Philippines on the rise, evolution and the future path of CFOs.

Professionals from C.L. Manabat & Co., the Deloitte Philippines practice provided survey implementation assistance. The survey was conducted via email using a survey questionnaire between June and July 2006.

It was sent to FINEX members, i.e. CFOs and senior finance executives and had a response rate of c.10% of the active membership base of FINEX. The responses were also compiled by C.L. Manabat & Co. (Deloitte Philippines) Practice Professionals.

About the Financial Executives Institute of the Philippines (FINEX)

FINEX is an organization, national and international in scope, composed of eminent professionals, entrepreneurs, public servants and academicians, whose knowledge and skills are key factors in the formulation of policies and decisions in the financial management of their respective organizations. It is a forum for the development and advancement of its members, particularly in the field of modern business practice, and in the promotion of business ethics and social involvement. FINEX and its members will continuously take a proactive stance in shaping public opinion and key policy on issues related to their areas of expertise.

About the International Association of Financial Executives Institutes (IAFEI)

IAFEI is a federation of Financial Executive Institutes of countries across the world, and is a private, non-profit, non-political organization, domiciled in Switzerland. With 15 member institutes comprising more than 130,000 financial executives, IAFEI is the only global organization of its kind. IAFEI provides networking, visibility, advocacy and information access opportunities to member institutes and their individual members through quarterly publications, regional summits, global research projects and the annual world congress. Please visit the IAFEI website, www.iafei.org for more information.

About C.L. Manabat & Co. (Deloitte Philippines)

In the Philippines, C.L. Manabat & Co. is the member firm of Deloitte Touche Tohmatsu, and services are provided by C.L. Manabat & Co. The Philippine member firm is among the nation's leading professional services firms, providing audit, tax, consulting, and financial advisory services. Known as an employer of choice for innovative human resources programs, it is dedicated to helping its clients and its people excel. For more information, please visit the Philippine member firm's website at www.deloitte.com/ph .

News, Meetings, Activities

The 40th IAFEI World Congress will be held in Madrid, Spain, in October 2009.

AEEF, the Spanish IAFEI member institute, has volunteered to organize and hold such congress, and the IAFEI Board of Directors by written wrote has ratified the application of AEEF in March, 2008.

The first IAFEI World Congress has taken place in Marbella, Spain, in May 1969.

AEEF is proud, and IAFEI is thankful to AEEF, for holding again the 40th IAFEI World Congress in 2009.