



MALAYSIAN INSTITUTE OF ACCOUNTANTS

Competency Framework

for Chief Financial Officers
("CFOs") in Public Interest Entities

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Foreword

The Malaysian Institute of Accountants (MIA) is of the view that quality and reliable financial information is a prerequisite for effective decision making that formulates and drives strategy to shape the value creation activities of an organisation. To achieve this, an organisation needs to strengthen its finance function by equipping its human capital with professionals who have the requisite skills and expertise not only at the technical and operational level but also at the strategic and managerial level.

In assessing the remit of a finance function, particularly important is the role of the Chief Financial Officer (CFO), the leader and most senior person involved in the finance function of an organisation. It is, therefore, critical to determine the scope of work and competencies needed in view of the tasks incumbent of a CFO and expectations of a person in this role from the Board of Directors, investors and other relevant stakeholders.

This Competency Framework is intended to serve as a guide to companies, Audit Committees and CFOs on the scope of work that CFOs in public interest entities could be doing and what it takes to be competent at it.

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Definitions

Definitions

1 Chief Financial Officer (CFO)

The most senior person involved in the finance function of an organisation whose primary role normally includes being overall responsible for managing all financial aspects of the organisation including assessing financial risks and controls, managing budgets, preparing financial statements and providing financial information. CFOs are normally authorised by the Board of Directors to sign the statutory declaration on the correctness of the financial statements of an entity in accordance with the Companies Act 2016 in Malaysia.

2 Public interest entities

Public interest entities refer to those entities that are currently specified under Part 1 of Schedule 1 of the Securities Commission Malaysia Act 1993 (SCMA). They include –

(a)	A public listed company or corporation listed on the stock exchange;
(b)	A bank licensed under the Financial Services Act 2013;
(c)	An insurer licensed under the Financial Services Act 2013;
(d)	A takaful operator licensed under the Islamic Financial Services Act 2013;
(e)	An Islamic bank licensed under the Islamic Financial Services Act 2013;
(f)	A financial institution prescribed under section 212 of the Financial Services Act 2013 or section 223 of the Islamic Financial Services Act 2013;
(g)	A development financial institution prescribed under the Development Financial Institutions Act 2002;
(h)	A holder of a Capital Markets and Services Licence for the carrying on of the regulated activities of dealing in securities, dealing in derivatives or fund management;
(i)	An exchange holding company approved under the securities laws;
(j)	An exchange approved under the securities laws;
(k)	A central depository approved under the securities laws;
(l)	A clearing house approved under the securities laws;
(m)	A self-regulatory organisation recognised under the securities laws;
(n)	A private retirement scheme administrator approved under the securities laws;
(o)	A trade repository approved under the securities laws; and
(p)	The Capital Market Compensation Fund Corporation.



➤ 1.0

Introduction

1.0 Introduction

The present business environment is constantly evolving with requirements and expectations of stakeholders for corporations to be more competitive to remain relevant and sustainable. The Malaysian Institute of Accountants (MIA) posits that the prospects for growth of the Malaysian capital market will continue as long as it has a strong and facilitative regulatory framework supported by high quality and reliable financial information, which builds trust and confidence in the marketplace.

Quality and reliable financial information is a prerequisite for effective decision making that formulates and drives strategy and shapes the financial profiling and value creation activities of a company. To achieve this, the company needs to strengthen its finance function by equipping its human capital with professionals who have the requisite skills and expertise not only at the technical and operational level but also at the strategic and managerial level.

This Competency Framework focuses on the role of the CFO, the most senior person of the finance function, in a public interest entity (PIE). The principles put forth and matters deliberated may also be applicable in varying degrees to other entities including small and medium enterprises. Application for such other entities should be done with the understanding that the discussion in this Competency Framework is focused on CFOs in PIEs.

In December 2015, the MIA held its first roundtable to gather opinion and deliberate on a proposed competency framework for accountants to enhance the quality of financial reporting of listed issuers in Malaysia. This emanated from an earlier discussion with Bursa Malaysia where concerns were raised regarding the substandard quality of financial reporting of some public listed companies.

At subsequent roundtables, participants debated over the appropriate balance between the stewardship and leadership role of a CFO. Reference was also made on four main studies namely:

- i. The DNA of the CFO - A Study Of What Makes A Chief Financial Officer, Ernst & Young, 2010.
- ii. New Skills, Existing Talents - The New Mandate for Finance Professionals in Supporting Long-term Business Success, CGMA Bath Report, July 2012.
- iii. Beyond the Numbers: The Evolving Leadership Role of the CFO – Canadian Financial Executives Research Foundation (CFERF), 2011.
- iv. The Role and Expectations of a CFO: A Global Debate on Preparing Accountants for Finance Leadership, International Federation of Accountants (IFAC), 2013.

The skill sets associated with CFOs can lead them to expand their roles beyond financial management. There is evidence of growing expectation for CFOs to assume more of a leadership role in driving the business. However, CFOs should maintain the stewardship role, particularly on financial management and compliance with regulatory requirements.

Arising from the roundtables, it was determined that the IFAC's "Principles Guiding the Expectation of CFOs" and EY's "Component Parts of the CFO Role" are sufficiently comprehensive to provide guidance for CFOs in preparing themselves to drive sustainable value creation in their organisations.

The ensuing sections of this Competency Framework firstly set out the guiding principles and the roles of CFOs and then focus on and provide recommendations to address the potential competency gaps in CFOs in two main categories:

- (a) Preparation of financial statements and external reporting in compliance with accounting standards and relevant laws and regulations; and
- (b) Competency in financial management, strategy development and execution and communication with stakeholders.



 2.0

Duty of care of a CFO

2.0 **Duty of care of a CFO**

Apart from a duty under contract with the organisation that employs the CFO, the CFO is subject to the requirements under the Companies Act 2016. A CFO as defined in this Competency Framework may not necessarily be the same as a CFO stated in the Companies Act 2016 as the Act does not define it. The Companies Act 2016 contains relevant sections through which a CFO can be potentially charged, including Section 591 False and misleading statements, Section 594 Fraudulently inducing persons to invest money and Section 595 Fraud by officers. In addition, a CFO of a public entity is required to comply with the Bursa listing requirements and Capital Market Services Act 2007.

A breach of duty of care may lead to potential legal action through regulation, civil law or contract law. In Malaysia and other jurisdictions, there have been cases brought against CFOs. A list of relevant laws and regulations affecting CFOs are included in Appendix 1. Examples of cases in relation to legal charges being brought against CFOs are included in Appendix 2.



➤ 3.0

Responsibilities over the financial statements

3.0 Responsibilities over the financial statements

The Companies Act 2016 has specific requirements for the signature of the following persons with respect to the financial statements of a company:

- Directors (under Section 251(2))
- Auditors (under Section 266(1), 266(2) & 266(3))
- The person primarily responsible for the financial management of the company (under Section 251(1)(b))

The Companies Act 2016 focuses on a director or individual who is primarily responsible for the financial management of a company without stating whether this person is the CFO. CFOs are normally authorised by the Board of Directors to sign the statutory declaration regarding the correctness of financial statements under Section 251(1)(b) of the Companies Act 2016 and therefore must demonstrate the required competency. It is important to highlight that whoever signs off on the financial statements as the person primarily responsible for the financial management is ultimately responsible over the correctness of the financial statements regardless of whether the work was done by that person directly, delegated internally or outsourced.

We understand from Suruhanjaya Syarikat Malaysia (SSM) that “the person signing the statutory declaration under subsection 251(1)(b) of the Companies Act 2016 should be sufficiently competent and proficient to opine on the correctness of the financial statements so as to comply and carry out the requirements of the said provision and therefore, the person must not only possess a certain level of technical competency and work experience but should also make efforts to update his/her competencies to remain relevant to carry out this statutory requirement.”



 4.0

Guiding Principles for CFOs of a PIE

4.0 Guiding Principles for CFOs of a PIE

As a guidance to prepare CFOs for finance leadership, it is recommended that IFAC's 5 key principles be used to guide the role and expectations of a CFO of a PIE.

These five key principles establish a framework for understanding the changing expectations, scope and mandate of the person who exercises leadership in the most senior finance management position in an organisation. It captures the key requirements of the CFO's role and highlights what CFOs need to do to prepare for finance leadership.

Principles Guiding the Role and Expectations of a CFO¹

A professional chief financial officer (CFO) should:

i. **Be an effective organisational leader and a key member of senior management.**

A CFO's primary responsibility is to provide shared leadership and vision to the organisation, its employees, and other key stakeholders. A CFO has a pivotal role in facilitating all organisational parts to reach common performance objectives. A CFO also has the role to facilitate organisational accountability and transparency, while providing strategic leadership. As an organisational leader, a CFO should demonstrate having the necessary emotional quotient (EQ) to manage people and relationships. As a leader, a CFO should also be visionary in matters such as the use of technology and the pursuit of technical knowledge.

A CFO owns the task of maximising expected economic value, while taking into account wider sustainability considerations and other stakeholder interests. It is critical for the CFO to build effective relationships and this requires the CFO to be an effective and influential communicator and negotiator.

ii. **Balance the responsibilities of stewardship with business partnership.**

The CFO's role requires an appreciation of the importance of the dual aspects of conformance and performance. While the nature of the role gives CFOs a good vantage point within the organisation, it brings with it particular responsibilities and challenges. These include ensuring that the stewardship aspects of the role do not compromise, and are not compromised by the increasingly important aspect of business partnering, and that CFOs retain credibility and the ability to deliver both aspects of their responsibilities effectively. A CFO may also be a director of a company with statutory duties.

CFOs who are directors should be aware of their legal responsibilities and fiduciary duties while driving processes to help other directors and management understand and take responsibility for fulfilling their duties to the organisation and its shareholders and stakeholders. The duties of a CFO appointed to an organisation's board extend to the whole organisation and are not limited to those of the CFO's individual executive role.

As business partners, CFOs need to be alert to situations that might compromise their professional objectivity. The most effective safeguard against accountability confusion arising from potential tensions between stewardship and business partnership is to adopt a business mindset without sacrificing the objectivity and scepticism that CFOs require to persuasively challenge potentially imprudent management proposals.

CFOs should be able to balance and manage both stewardship and business partnering without compromising their responsibility to connect, support, and challenge the organisation. This improves the quality of important decisions to ensure business strategy delivers its objectives at an appropriate level of risk.

¹ The Role and Expectations of a CFO. A Global Debate on Preparing Accountants for Finance Leadership, Discussion Paper, Published by IFAC, October 2013.

iii. Act as the integrator and navigator for the organisation.

CFOs need to help their organisation navigate through the processes and challenges of strategy development, management, and execution. They should facilitate the sustainable creation of value by helping to ensure that their organisations incorporate or integrate economic, environmental, and social factors at all levels of decision making and reporting.

To ensure this is done effectively, CFOs need to be positioned centrally, alongside the CEOs, in the strategic management of the organisation. This involves being able to facilitate a common and unifying perspective on an organisation's strategic objectives, opportunities and threats, business model, and critical success factors including resources, capabilities, and competencies needed to deliver the strategy in relation to changing circumstances and environmental factors and trends.

iv. Be an effective leader of the finance and accounting function.

CFOs need to guide their organisations to efficiently use resources at the same time as delivering value to their customers. They should be able to assess and optimize the benefits, and manage the challenges, arising from trends, such as centralization, outsourcing, and offshoring of the finance and accounting (F&A) function, while ensuring that financial talent and capability is retained and groomed within the organisation.

Aligning the F&A function with delivering the organisation's objectives involves developing an effective talent recruitment and management strategy to attract, develop, and retain finance talent and the skillsets required to support stewardship and business partnership responsibilities. To create time for the broader responsibilities of the CFO role, establishing strong and competent leadership to oversee the various elements of the F&A function is a critical task.

v. Bring professional qualities to the role and the organisation.

CFOs should bring professional qualities to their role and encourage ethical behaviour and decision making throughout an organisation to ensure sustainable value creation. In performing the CFO role, CFOs are anchored by their fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Strong ethical leadership and good governance are prerequisites for sustainable value creation and require organisations to go beyond compliance with laws and regulations.

CFOs have a shared responsibility to ensure the entire organisation is attuned to high ethical standards and aligned with the values, goals, and objectives of the organisation. Foremost, CFOs should help to set the tone at the top by displaying and encouraging professionalism and ethical behaviour thus attaining trust among users of external reports such as financial and integrated reports. It is therefore, imperative that CFOs be able to demonstrate competency and proficiency when performing their role.

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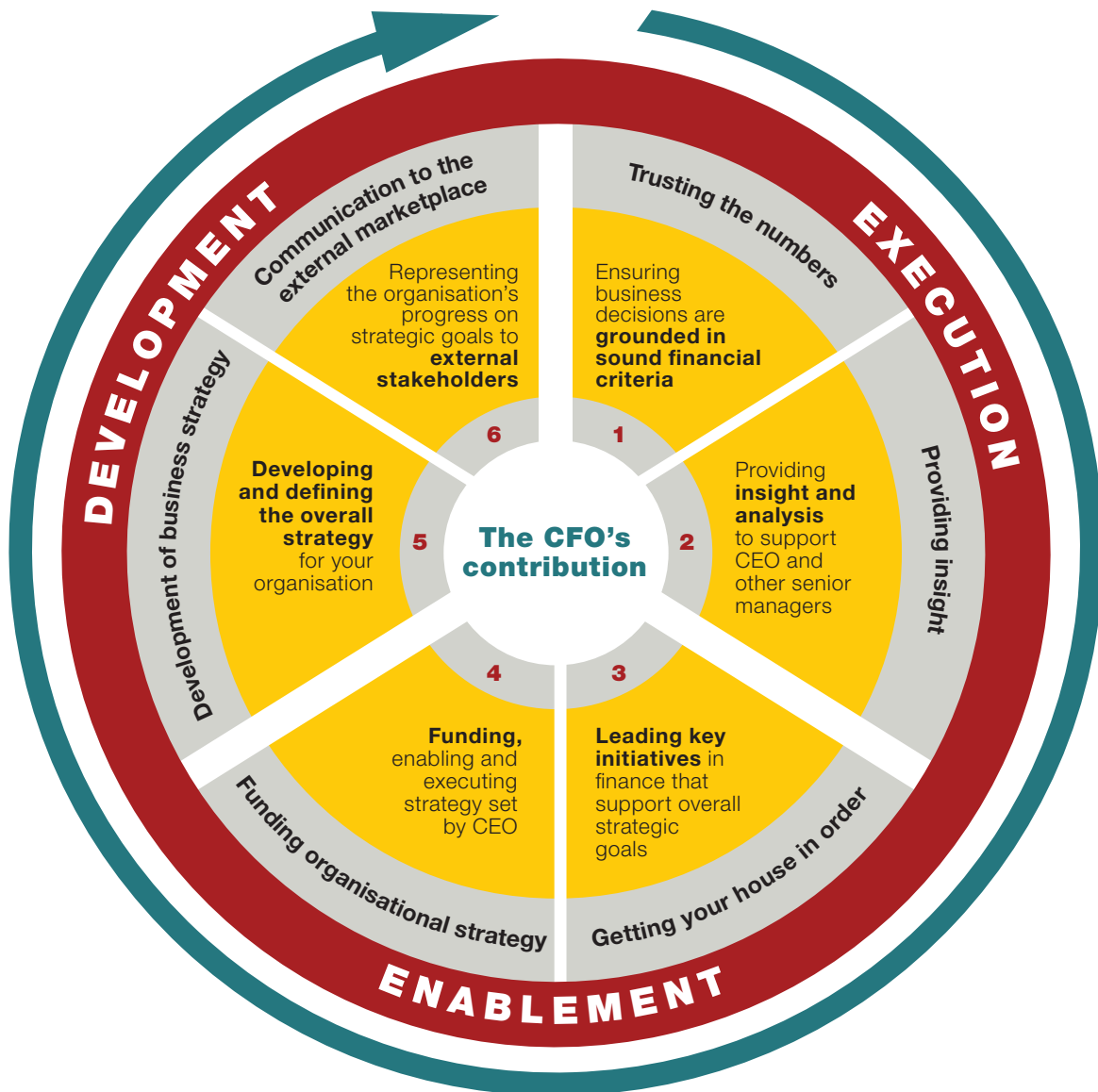
➤ 5.0

Roles of a CFO in a PIE

5.0 Roles of a CFO in a PIE

In looking at the roles of a CFO in a PIE, the roundtables deliberated on what is expected of a CFO in today's market in terms of the contribution the CFO brings to the business. These contributions include developing, enabling and executing strategy. It was agreed that the following 6 roles as set out by Ernst & Young (EY) represent the full breadth of the CFO's remit and therefore a CFO should be able to carry out these roles effectively. With regard to the first and sixth roles on dealing with external stakeholders, the roundtables added the knowledge of relevant listing requirements, laws and regulations were added to the expected core skills and knowledge of a CFO to tailor for the Malaysian context.

The 6 roles are depicted in the diagram² below:



² The DNA of the CFO – The Disruption of the CFO's DNA, Ernst & Young, 2016.

The diagram looks at the core skills, areas of knowledge, experience and relationship to cultivate in order to excel in all 6 areas of the role.³

1. Ensuring business decisions are grounded in sound financial criteria	
Core skills	<ul style="list-style-type: none"> • Taking a commercial view in partnership with the business • Identifying commercial, financial and economic risks from business propositions • Establishing profitability of business propositions • Providing robust but constructive challenge to business stakeholders • Communicating clearly the financial implications of proposals <p>Added to cater for the Malaysian context:</p> <ul style="list-style-type: none"> • Ability to prepare or supervise the preparation of a good quality draft consolidated financial statements with: <ul style="list-style-type: none"> - Less than 10% deviation of the unaudited profit and loss after tax and non-controlling interest compared to the audited profit and loss after tax and non-controlling interest. - Minimal audit adjustments and no material audit adjustments. • Analytical ability in reviewing financial statements • Ability to identify, implement and maintain a sound system of internal control and risk management in relation to financial reporting and to report to those charged with governance.
Core knowledge	<ul style="list-style-type: none"> • Knowledge of the organisation’s business • Detailed knowledge of products/service lines • Awareness of the market and commercial environment • Knowledge of investment appraisal • Knowledge around approaches to profitability analysis <p>Added to cater for the Malaysian context:</p> <ul style="list-style-type: none"> • Knowledge of listing requirements and relevant laws and regulations • Up-to-date knowledge of: <ul style="list-style-type: none"> - Approved accounting standards issued by MASB - Companies Act - Malaysian tax regulations - Listing requirements - Relevant laws and regulations - Relevant best practices
Key experiences	<ul style="list-style-type: none"> • Business case appraisal • Benefits tracking and realization • Experience in pricing and profitability analysis • Cost management • Planning and forecasting
Key relationships	<ul style="list-style-type: none"> • Chief Executive Officer/Chief Operating Officer • Business unit heads • Heads of key support functions: Risk, IT, Operations, HR, Marketing and Sales • Finance business partners • Audit Committee

³ The DNA of the CFO – A Study Of What Makes A Chief Financial Officer, EY, 2010.

2. Providing insight and analysis to support CEO and other senior managers	
Core skills	<ul style="list-style-type: none"> • Communicating financial information effectively • Assessing drivers of profitability • Identifying and communicating areas of risk • Forecasting future performance based on knowledge of past performance • Identifying corrective action where required <p>Added to address the use of technology:</p> <ul style="list-style-type: none"> • Ability to harness technology to provide insight and analysis
Core knowledge	<ul style="list-style-type: none"> • Knowledge of the organisation’s business • Detailed knowledge of products/service lines • Awareness of market trends, risks and issues • Knowledge of key performance indicators (KPIs) in relation to the strategic plan • Business performance management • Knowledge of competition performance <p>Added to address the use of technology:</p> <ul style="list-style-type: none"> • Understanding and utilising digital and smart technologies affecting the finance function • Understanding data and advanced analytics for business intelligence and management information
Key experiences	<ul style="list-style-type: none"> • Financial planning and reporting • Accounting and reporting for projects and other non-recurring initiatives • Experience in identifying non-financial drivers of financial performance • Experience of identifying issues and corrective actions • Operating at Executive level • Markets trends analysis
Key relationships	<ul style="list-style-type: none"> • Chief Executive Officer/Chief Operating Officer • Business unit heads • Heads of key support functions: Risk, IT, Operations, HR, Marketing and Sales • Finance business partners • Strategy Director • Corporate Development Officer

3. Leading key initiatives in finance that support overall strategic goals	
Core skills	<ul style="list-style-type: none"> • Leadership skills to drive through change in finance • Setting and communicating the vision and strategy for finance • Able to engage with business stakeholders to determine the appropriate role for finance • Bringing together disparate stakeholders within finance and the business • Sponsoring delivery of major change in the finance function
Core knowledge	<ul style="list-style-type: none"> • How finance should be organised to deliver value to the business • Understanding of finance processes and implications for the operating model • The components of the finance operating model and the interdependencies • Finance systems and implications for change • Drivers of cost and value in finance
Key experiences	<ul style="list-style-type: none"> • Delivery of major change in finance • Finance process improvement • Designing changes to finance operating models • Involvement with delivery of finance systems • Engaging with internal customers around service delivery • Transformation
Key relationships	<ul style="list-style-type: none"> • Chief Executive Officer • Business unit heads • Heads of key support functions: IT, Marketing, Risk, Operations, HR • Senior finance managers • Business unit finance teams

4. Leading key funding, enabling and executing strategy set by CEO	
Core skills	<ul style="list-style-type: none"> • Funding the organisation's operations • Prioritising investments • Developing strategic plans to achieve corporate goals • Understanding the key value drivers • Turning strategic plans into operational plans and targets (including defining KPIs) • Designing the implementation program • Monitoring progress against strategy
Core knowledge	<ul style="list-style-type: none"> • Capital management • Project financing • Financial risk management • Operational risk management • Strategic and operational planning • Performance management systems • Program management • Change management
Key experiences	<ul style="list-style-type: none"> • Involvement in determining funding requirements • Securing funding for operations and major projects • Management of working capital • Implementing financial risk management strategy e.g., interest rate, foreign exchange and market risk • Developing strategic plans • Managing large and complex improvement/ change programs • Managing a merger or acquisition
Key relationships	<ul style="list-style-type: none"> • Chief Executive Officer/Chief Operating Officer • Business unit heads • Risk Director • Operations Director • External funding providers • Key investors • Treasurer

5. Developing and defining the overall strategy for your organisation	
Core skills	<ul style="list-style-type: none"> • Translating corporate goals into a clear strategy • Identifying financial and risk issues in relation to corporate strategy • Delivering a workable strategic plan within known constraints • Creativity/ability to think “out-of-the-box”/ conceptually strong • Analyzing portfolio of opportunities • Visionary/a story teller/ability to build trust and motivate people • Effective communication of financial and risk issues to C-suite colleagues • Providing robust financial challenge at C-suite level
Core knowledge	<ul style="list-style-type: none"> • Strategic and operational planning • Knowledge of the organisation’s business • Detailed knowledge of products/service lines • Business model design • Scenario planning • Good overview of the industry structure and challenges • Strategic frameworks and theory • Awareness of the market and commercial environment • Aware of industry and organisation risk profile • Awareness of IT as an important business enabler <p>Added to address the disruptions affecting the role of CFOs:</p> <ul style="list-style-type: none"> • Understanding and utilising digital and smart technologies affecting the finance function • Understanding data and advanced analytics for business intelligence and management information
Key experiences	<ul style="list-style-type: none"> • Strategy development • Development and implementation of business plans • Monitoring achievement of plans and targets and taking corrective actions where required • Operational and financial risk management • Product and market development
Key relationships	<ul style="list-style-type: none"> • Chief Executive Officer • Chief Operating Officer • Business unit heads • Chief Information Officer • Risk Director • Marketing Director • HR Director • Strategy Director • Corporate Development Officer

6. Representing the organisation's progress on strategic goals to external stakeholders	
Core skills	<ul style="list-style-type: none"> • Clear communication of performance • Perspectives on organisation's performance relative to main competitors • Detailed knowledge about main value drivers/key KPIs and initiatives to improve them • Positive communication around management of key risks • Taking a forward looking view • Anticipating and responding to questions from media, analysts and investor community • Responding positively to issues raised by industry regulators <p>Added to cater for the Malaysian context:</p> <ul style="list-style-type: none"> • Ability to prepare or supervise the preparation of a good quality draft consolidated financial statements with: <ul style="list-style-type: none"> - Less than 10% deviation of the unaudited profit or loss after tax and non-controlling interest compared to the audited profit or loss after tax and non-controlling interest. - Minimal audit adjustments and no material audit adjustments. • Analytical ability in reviewing financial statements • Ability to identify, implement and maintain a sound system of internal control and risk management in relation to financial reporting and to report to those charged with governance.
Core knowledge	<ul style="list-style-type: none"> • Knowledge of the organisation's business and deep insight into the industry • Detailed knowledge of products/service lines • Awareness of the market and commercial environment • Awareness of impact of local regional and global economies on financial performance • Accounting technical knowledge to supervise Financial Statements <p>Added to cater for the Malaysian context:</p> <ul style="list-style-type: none"> • Knowledge of listing requirements and relevant laws and regulations • Up-to-date knowledge of: <ul style="list-style-type: none"> - Approved accounting standards issued by MASB - Companies Act - Malaysian tax regulations - Listing requirements - Relevant laws and regulations - Relevant best practices
Key experiences	<ul style="list-style-type: none"> • Preparation of financial information for external publication and communication to the capital markets • Dealing with parties external to the organization • Engaging with media • Managing relationships with external auditors • Managing resolution of key accounting and control issues
Key relationships	<ul style="list-style-type: none"> • Chief Executive Officer • Chairman • Executive and non-executive boards • Other key governance committees e.g., audit, remuneration • External auditors • Media and Investor Relations • Regulators

In discussing the different roles of a CFO, there may be a need to consider if that role could be extended to other areas of an organisation that are not normally under the purview of the finance department. The scope of a CFO in certain organisations may include areas such as human resources, information technology and procurement. This scenario does happen in practice but it is imperative to be mindful that the primary role of the CFO is relating to accounting and finance and that other roles do not hinder the performance of the CFO's primary role.

Whilst the 6 roles of CFOs remain relevant, an updated research by EY in 2016 regarding the roles of CFOs revealed four forces that are changing the expectation placed on CFOs: digital; data; risk and uncertainty; and stakeholder scrutiny and regulation. The impact of these disruptions and the implications for CFOs are included in Appendix 3.

Having identified the core knowledge necessary to carry out the 6 roles of CFOs effectively, there is a need to consider how the core knowledge would be obtained either through qualification or by continuing professional development and training. The courses that may be able to meet this need are shown in Appendix 4.

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 6.0

Recommendation

6.0 Recommendation

Corporate reporting that complies with accounting standards, relevant listing rules and laws and regulations is crucial for a PIE in Malaysia in order to promote accountability and build public trust. Therefore, only competent person should be appointed as CFOs of a PIE. With the constant changes in accounting standards, laws and regulations, CFOs should not only have functional knowledge and application of these matters but must keep abreast of the developments and changes to these matters as well. Therefore, they must firstly get to a certain level of competency and update themselves consistently.

To keep CFOs apprised of the latest developments in technical pronouncements and laws and regulations, there is a need for continuing education. A CFO is expected to undertake continuing professional development (CPD) on a regular basis. As a guide, a minimum of 20 credit hours of structured and verifiable CPD learning for each calendar year is recommended for CFOs. The competencies identified in this Competency Framework are presented as a framework designed to identify broad principles. The detailed knowledge and skills required by CFOs will change over time due to the evolution of the markets and industries in which they operate.

The 5 guiding principles and 6 roles of CFOs expectations are crucial in providing a benchmark to assess the level of competency of CFOs and enable them to conduct a training needs analysis as depicted in Appendix 4. The MIA is committed to identifying and providing the necessary training courses to meet any competency gaps and to continually enhance the competency of CFOs.

This Competency Framework can serve as a reference guide for companies, Audit Committees and CFOs in clarifying and delineating the scope of work that CFOs in PIEs could be doing and the competency that is expected to go with it.

References:

- i. The DNA of the CFO - A Study Of What Makes A Chief Financial Officer, EY, 2010.
- ii. The Role and Expectations of a CFO. A Global Debate on Preparing Accountants for Finance Leadership, Discussion Paper, Published by IFAC, October 2013.
- iii. Finance Forte, The Future of Finance Leadership, A Study by EY, ©2013 EYGM Limited.
- iv. The DNA of the CFO – The Disruption of the CFO’s DNA, EY, 2016.



Appendices

LAWS AND REGULATIONS AFFECTING CFOs

1 REQUIREMENTS UNDER THE COMPANIES ACT 2016 RELEVANT TO CFOs

Section 210 210	Directors' Duties and Responsibilities [Interpretation] For the purposes of this Subdivision, in sections 213, 214, 215, 216, 217, 218, 223 and 228, in addition to the definition of “director” in section 2, “director” includes chief executive officer, chief financial officer, chief operating officer or any other person primarily responsible for the management of the company.
Section 251 251 (1)	Financial statements to be approved by the Board Financial statements shall be— (b) accompanied with a statutory declaration by a director or where the director is not primarily responsible for the financial management of the company, by the person responsible in setting forth his opinion as to the correctness or otherwise of the financial statements and where applicable, the consolidated financial statements.
Section 591 591 (1)	False and misleading statements Every corporation which advertises, circulates or publishes any return, report, certificate, financial statements or other document required by or for the purposes of this Act makes or authorizes the making of a statement false or misleading in any material particular knowing it to be false or misleading or intentionally omits or authorizes the omission or accession of any matter or thing which makes the document misleading in a material respect and every officer of the corporation who knowingly authorizes, directs or consents to the advertising, circulation or publication commits an offence, and shall, on conviction— (a) in the case of a corporation, be liable to a fine not exceeding three million ringgit; and (b) in the case of officer of the corporation, be liable to imprisonment for a term not exceeding ten years or a fine not exceeding three million ringgit or to both.
591 (2)	Every person who in any return, report, certificate, financial statement or other document required by or for the purposes of this Act— (a) makes or authorizes the making of a statement false or misleading in any material particular knowing it to be false; or (b) misleads or intentionally omits or authorizes the omission or accession of any matter or thing making the document misleading in a material respect, commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding ten years or to a fine not exceeding three million ringgit or to both.
591 (3)	If a person at a meeting votes in favour of the making of a statement referred to in this section knowing it to be false, he shall be deemed to have authorized the making of that statement.

Section 592 False reports

592 (1) An officer of a corporation who, with intent to deceive, makes or furnishes or knowingly and wilfully authorizes or permits the making or furnishing of, any false or misleading statement or report to—

- (a) a director, auditor, member, debenture holder or trustee for debenture holders of the corporation;
- (b) in the case of a corporation that is a subsidiary, an auditor of the holding company;
- (c) a stock exchange whether in or outside Malaysia or an officer of the stock exchange; or
- (d) the Securities Commission,

relating to the affairs of the corporation commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding ten years or a fine not exceeding three million ringgit or to both.

592 (2) In subsection (1), “officer”, in addition to the definition under section 2, includes a person who at the time the offence was committed is an officer of the corporation.

Section 594 Fraudulently inducing persons to invest money

594 (1) Any person who, by any statement, promise or forecast which he knows to be misleading, false or deceptive or by any dishonest concealment of material facts or by the reckless making of any statement, promise or forecast which is misleading, false or deceptive, induces or attempts to induce another person to enter into or offer to enter into—

- (a) any agreement for or with a view of acquiring, disposing of, subscribing in or underwriting marketable securities or lending or depositing money to or with any corporation; or
- (b) any agreement the purpose or pretended purpose of which is to secure a profit to any of the parties from the yield of marketable securities or by reference to fluctuations in the value of marketable securities,

commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding ten years or to a fine not exceeding three million ringgit or to both.

594 (2) Every officer or agent of any corporation by any deceitful means or false promise and with intent to defraud, causes or procures any money to be paid or any chattel or marketable security to be delivered to that corporation or to himself or any other person for the use of benefit or on account of that corporation commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding ten years or to a fine not exceeding three million ringgit or to both.

594 (3) The opinion of any properly qualified auditor or accountant as to the financial position of any company at any time or during any period in respect of which auditor or accountant has made an audit or examination of the affairs of the company according to recognized audit practice shall be admissible during the proceedings as evidence, either for the prosecution or for the defence of the financial position of the company at that time or during that period notwithstanding that the opinion is based in whole or in part on book-entries, documents or vouchers or on written or verbal statements by other persons.

Section 595 **Frauds by officers****595 (1)**

Every officer of a company who—

- (a) by deceitful or fraudulent or dishonest means or by means of any other fraud induced any person to give credit to the company;
- (b) with intent to defraud creditors of the company, has made or caused to be made any gift or transfer of or charge on, or has caused or connived at the levying of any execution against, the property of the company; or
- (c) with intent to defraud creditors of the company, has concealed or removed any part of the property of the company since or within two months before the date of any unsatisfied judgment or order for payment of money obtained against the company,

commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding ten years or to a fine not exceeding three million ringgit or to both.

595 (2)

In subsection (1), “officer”, in addition to the definition under section 2, includes a person who at the time the offence was committed is an officer of the corporation.

2 REQUIREMENTS UNDER BURSA LISTING REQUIREMENTS RELEVANT TO CFOs:

CHAPTER 2 GENERAL

PART E(A) – DIRECTORS AND OTHER KEY OFFICERS

2.20A Qualification of directors and other key officers

Every listed corporation, management company or trustee-manager must ensure that each of its directors, chief executive or chief financial officer has the character, experience, integrity, competence and time to effectively discharge his role as a director, chief executive or chief financial officer, as the case may be, of the listed corporation, or the collective investment scheme.

CHAPTER 9 CONTINUING DISCLOSURE

PART J – IMMEDIATE DISCLOSURE REQUIREMENTS

9.19 Immediate announcements to the Exchange

(14A) any change or proposed change in the chief financial officer of the listed issuer.
An announcement to the Exchange –

- (a) on the appointment of the chief financial officer must include the information contained in Part B(A) of Appendix 9A; or
- (b) on the cessation of office of the chief financial officer must include the reasons given for the cessation, including but not limited to any information relating to his disagreement with the board and a statement as to whether or not there are any matters that need to be brought to the attention of the shareholders of the listed issuer.

PART K – PERIODIC DISCLOSURES

9.27 Statutory declaration in relation to accounts

A listed issuer must ensure that the director or person primarily responsible for the financial management of the listed issuer, as the case may be, who signs the statutory declaration pursuant to section 251(1)(b) of the Companies Act 2016 (“signatory”) satisfies the following requirements:

- (a) the signatory is a member of the Malaysian Institute of Accountants; or
- (b) if the signatory is not a member of the Malaysian Institute of Accountants, the signatory has at least 3 years’ working experience and –
 - (i) has passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) is a member of one of the recognised bodies specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) the signatory fulfils such other requirements as prescribed or approved by the Exchange.

[Cross reference: Practice Note 13]

CHAPTER 15 CORPORATE GOVERNANCE

PART C – AUDIT COMMITTEE

15.09 Composition of the audit committee

- (1) A listed issuer must appoint an audit committee from amongst its directors which fulfils the following requirements:
 - (a) the audit committee must be composed of not fewer than 3 members;
 - (b) all the audit committee members must be non-executive directors, with a majority of them being independent directors; and
 - (c) at least one member of the audit committee –
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and –
 - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
- (2) A listed issuer must ensure that no alternate director is appointed as a member of the audit committee.

[Cross reference: Practice Note 13]

Practice Note 13:

II. REQUISITE QUALIFICATIONS FOR THE SIGNATORY AND THE SAID AUDIT COMMITTEE MEMBER

6.0 General

6.1 Paragraph 7.0 of this Practice Note must be read in conjunction with paragraphs 9.27 and 15.09 of the Listing Requirements.

7.0 Requisite qualifications

- 7.1** For the purposes of paragraphs 9.27(c) and 15.09(1)(c)(iii) of the Listing Requirements, the following qualifications are also acceptable:
- (a) either one of the following qualifications and at least 3 years' post-qualification experience in accounting or finance:
 - (i) a degree/masters/doctorate in accounting or finance; or
 - (ii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants;
 or
 - (b) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

3 REQUIREMENTS UNDER THE CAPITAL MARKET SERVICES ACT, 2007 RELEVANT TO CFOs:

317A Prohibited Conduct of director or officer of a listed corporation

317A(1) A director or an officer of a listed corporation or any of its related corporations shall not do or cause anyone to do anything with the intention of causing wrongful loss to the listed corporation or any of its related corporations irrespective of whether the conduct causes actual wrongful loss.

317A(2) This section is in addition to and not in derogation of any law relating to the duties or liabilities of directors or officers of a listed corporation.

317A(3) A person who contravenes subsection (1) commits an offence and shall, on conviction, be punished with imprisonment for a term which shall not be less than two years but not exceeding ten years and be liable to a fine not exceeding ten million ringgit.

[Am. Act A1406/2011]

317A(4) For the purpose of this section— “director” includes a person who is a director, chief executive officer, chief operating officer, chief financial controller or any other person primarily responsible for the operations or financial management of a company, by whatever name called;

“property” has the same meaning as in section 138;

“wrongful loss” means loss of property by unlawful means to which the person losing is legally entitled.

[Ins. Act A1370/2010]

4 REQUIREMENTS UNDER THE SECURITIES INDUSTRY (COMPLIANCE WITH APPROVED ACCOUNTING STANDARDS) REGULATIONS 1999 RELEVANT TO CFOs:

Application

2. These Regulations shall apply to the financial statements and accounts, and if the listed corporation is a holding corporation for which consolidated financial statements and consolidated accounts are required the consolidated financial statements and consolidated accounts, of the listed corporation for the financial period ending on or after 30 June 1999.

Interpretation

3. (1) In these Regulations –
 - “approved accounting standard” shall have the meaning assigned to the expression in section 2 of the Financial Reporting Act 1997 [Act 558] and published in accordance with the Financial Reporting (Publication of Approved Accounting Standard) Regulations 1999 [P.U.(A) 250/99];
 - “accounts” and “consolidated accounts” mean profit and loss account and balance sheets and include notes and statements required under the companies Act 1965[Act 125] (other than auditors’ reports or directors’ reports) and attached or intended to be read with the profit and loss accounts or balance sheets;
 - “financial statements” and “consolidated financial statements” include the accounts or consolidated accounts of a listed corporation and such other statements which describe the financial position or performance of the listed corporation;
 - “listed corporation” means a corporation whose securities or any class of its securities have gained admission to be quoted on a stock market of a stock exchange.
- (2) For the avoidance of doubt, “notes” referred to in the definition of “accounts” shall include accounting policies.

Failure to comply with approved accounting standards an offence

4. (1) Every listed corporation, its directors and chief executive shall prepare and present or cause to be prepared and presented the financial statements, and if the listed corporation is a holding corporation for which consolidated financial statements are required the consolidated financial statements, of the listed corporation in accordance with approved accounting standards.
- (2) Every director of a listed corporation shall ensure that the accounts, and if the listed corporation is a holding corporation for which consolidated accounts are required the consolidated accounts, of the listed corporation, when laid before the annual general meeting are made out in accordance with approved accounting standards.
- (3) Any person who contravenes subregulation (1) or (2) commits an offence.

Note: This list may not be exhaustive of all applicable laws and regulations affecting CFOs.

CASES INVOLVING CHIEF FINANCIAL OFFICERS IN MALAYSIA AND OTHER JURISDICTIONS

Country	Case	Details	Judgement/Outcomes
Malaysia	Ooi Boon Leong v. Public Prosecutor [2011] MLJU 1104	<p>This was an appeal from the decision of the High Court in the case against Tan Yeow Teck, the former Director and Chief Financial Officer of Mems Technology Berhad (“CFO”) and Ooi Boon Leong (“CFO”).</p> <p>Both the Appellants were charged under section 122B(b)(bb) of the Securities Industry Act 1983 for knowingly having authorised the furnishing of a misleading statement to Bursa Malaysia Securities Berhad relating to a listed Company called, Mems Technology Bhd (“Company”).</p> <p>The misleading statement was contained in the Condensed Consolidated Income Statements (“ICCS”) relating to the revenue of the Company for the year 2007 as at 31st July, 2007. The said ICCS showed that the Company had revenue of RM73.416 million. The said information was misleading because the figure of RM73.416 million was made of a sum RM30.169 million of sales that did not take place.</p>	<p>Both the CFO and CEO pleaded guilty to the charge brought against them and the Sessions Court judge imposed on each of them a fine of RM300,000 and in default of payment of the fine, 6 months’ imprisonment. Both have paid the fine.</p> <p>However, due to the inadequacy of the sentence, the Public Prosecutor filed an appeal to the High Court against the sentence imposed by the Sessions Court. When the appeal came before the High Court, the High Court Judge enhanced the sentence by imposing a term of 6 months’ imprisonment in addition to the fine of RM300,000 and in default of payment of the fine 2 years imprisonment.</p> <p>Dissatisfied with the decision of the High Court, both the CFO and CEO appealed to the Court of Appeal. Having considered the grounds of the appeal, the Court of Appeal found no reason to interfere with the sentence imposed by the High Court Judge. The appeal was therefore dismissed and the decision of the High Court Judge was affirmed.</p>
	Lo Chok Ping (former CFO of Transmile Group Bhd) Source: https://www.sc.com.my/cases-compounded-in-2008/	<p>Lo Chok Ping was compounded for abetting Transmile Group Berhad (TGB) in making a statement that was misleading in a material particular in TGB’s “Quarterly Report on Unaudited Consolidated Results for the Financial Year Ended 31 December 2006”.</p> <p>At the material time, Lo Chok Ping was the Chief Financial Officer (CFO) and Executive Director (ED) of TGB respectively.</p>	<p>Lo Chok Ping was compounded RM700,000 for the offence and he paid the fine</p>

CASES INVOLVING CHIEF FINANCIAL OFFICERS IN MALAYSIA AND OTHER JURISDICTIONS

Country	Case	Details	Judgement/ Outcomes
Singapore	Public Prosecutor v. Yip Hwai Chong [2006] SGDC 27 * SGDC = Singapore District Court	Yip Hwai Chong was the Chief Financial Officer of Accord Customer Care Solutions Limited (“ACCS”) and he was charged with, inter alia, two charges under section 199(b)(ii) of the Securities and Futures Act (Cap 289) (“SFA”) for having connived with ACCS to release two financial statements for financial years 2003 and 2004 via MASNET. which were false in a material particular under section 199 of the SFA	Yip Hwai Chong pleaded guilty to 22 charges with 66 other charges taken into consideration. He was sentenced to a total of 4 years and 4 months’ imprisonment, including 4 months’ imprisonment on each SFA charge.
	Auston International Group Ltd v. Public Prosecutor [2007] SGHC 219 * SGHC = Singapore High Court	<p>This was an appeal from the decision of the District Court in Public Prosecutor v. Auston International Group Ltd [2007] SGDC 73.</p> <p>Pursuant to its initial public offering, Auston International Group Ltd (“Company”) made an invitation to the public to subscribe for or purchase its shares, accompanied by a prospectus. The prospectus contained, amongst other information, the Company’s financial statement for financial year 2002 (“FY 2002”) which stated that its profit was \$2,467,000. In fact, the financial statement overstated the company’s pre-tax profits by \$374,000 for FY 2002 because it did not include the expenses in late invoices that the Company had received prior to the lodgement of its prospectus and which should have been accounted for as expenses in the financial statement for FY 2002.</p> <p>The Company pleaded guilty to a charge under section 253(1) read with section 253(4)(a) of the Securities and Futures Act (Cap 289, 2002 Rev Ed) (“SFA”) for issuing a prospectus containing a false and misleading statement. The District Judge convicted the Company of the charge and imposed a fine of \$90,000. The Company appealed against the quantum of the fine on the ground that it was manifestly excessive.</p> <p>It was mentioned in this case that both Auston’s CEO Yeo Poh Siah Ken and CFO Chua Peck Wee at the material time have been charged and have been dealt with, for offences under section 477A of the Penal Code and the SFA.</p>	<p>The High Court allow the Company’s appeal against sentence and reduce the fine to \$10,000.</p> <p>It was mentioned in this case that the CFO was sentenced to 7 months’ imprisonment.</p>

CASES INVOLVING CHIEF FINANCIAL OFFICERS IN MALAYSIA AND OTHER JURISDICTIONS

Country	Case	Details	Judgement/ Outcomes
Australia	<p>Vines v. Australian Securities and Investments Commission [2007] NSWCA 75</p> <p>* NSWCA = New South Wales Court of Appeal</p>	<p>This was an appeal from decisions of a trial judge, Justice Austin in ASIC v Vines [2005] NSWSC 738, ASIC v Vines [2005] NSWSC 1349 and ASIC v Vines [2006] NSWSC 760.</p> <p>Vines was the Chief Financial Officer of GIO Australia Holdings Ltd (GIO) and had overall supervisory responsibility for financial operations across divisions of the GIO group. Originally, the Australian Securities and Investments Commission (“ASIC”) brought proceedings against Vines, alleging that he had breached section 232(4) of the Corporations Law (the precursor to section 181(1) of the Corporations Act) in connection with an \$80 million profit forecast in Part B Statement published by GIO during the takeover bid.</p> <p>In the first judgement of the trial judge, Austin J found that Vines had contravened the Corporations Law (“Contraventions Judgment”). In a second judgment, Austin J rejected defences based on sub-section 1317JA or 1318 of the Corporations Law (“Honesty Judgment”) whereas in the third judgment, Austin J considered penalty. He made 11 declarations of contravention, imposed a fine of \$100,000 and disqualified Vines from acting as a director for 3 years. Vines appealed from each of the decisions of Austin J. Both Vines and ASIC appealed from the penalty imposed by Austin J.</p>	<p>The Court of Appeal in allowing the appeal in part from the Contraventions Judgment and dismissing the appeal from the Honesty Judgment, had ordered further submissions in relation to the penalty.</p> <p>The final penalty was decided in Vines v Australian Securities and Investments Commission [2007] NSWCA 126. The Court rejected six of eleven contraventions and reduced the pecuniary penalty from \$100,000 to \$50,000, being just under \$10,000 for each contravention.</p>

THE FOUR FORCES DISRUPTING THE ROLES OF CFOs⁴

Disruptions	Impact	Considerations for CFOs
Digital	Finance leaders need to understand digital and smart technologies to deliver against their critical strategic priorities.	<ul style="list-style-type: none"> • Re-evaluate underlying assumptions regarding business models, pricing, revenue streams and the related financial models. • Build the organisation's confidence and capability to navigate the digital economy.
Data	Delivering the data and advanced analytics for business intelligence and management information will be a critical capability for tomorrow's finance function.	<ul style="list-style-type: none"> • Make data integral to the business strategy. • Align analytics delivery and business requirements. • Instil the right leadership and culture.
Risk and uncertainty	Strategic, reputational, regulatory and cyber risks are growing parts of the finance remit particularly in larger organisations.	<ul style="list-style-type: none"> • Think beyond preventable risks. • Address risk directly. • Make investments in key risk talent.
Stakeholder scrutiny and regulation	Demands of stakeholders are often in conflict and CFOs increasingly have to juggle the requirements of regulators with the demands of investors and other stakeholders.	<ul style="list-style-type: none"> • Improve the skills in managing relationship including with investors, boards, the CEO and other members of the C-suite. • Prioritise the stakeholder relationships that are most important. • Communicate proactively. • Tell a consistent value story.

⁴ The DNA of the CFO – A Study Of What Makes A Chief Financial Officer, Ernst & Young, 2010.

COMPETENCY FRAMEWORK FOR CHIEF FINANCIAL OFFICERS (CFOs) IN PUBLIC INTEREST ENTITIES

Having identified the competencies of CFOs, assessment can then be made on the training requirements of these CFOs. The table below illustrates how CFOs can further develop their core competencies:

Programme/Courses	6 Roles of a CFO***					
	1	2	3	4	5	6
1. Advanced knowledge and application of accounting standards						X
2. Core local regulations: <ul style="list-style-type: none"> • Tax regulations • Companies Act 						X
3. Updating/ Upskilling - other laws and regulations <ul style="list-style-type: none"> • Bursa Listing requirements • Other laws and regulations and applicable codes 						X
4. Update on accounting standards and regulations						X
5. Emerging Forms of External Reporting (including Integrated Reporting)						X
6. Financial analysis for effective management	X	X			X	
7. Investment appraisal and analysis	X	X				
8. Profitability analysis	X	X				
9. Budgeting practice and forecasting	X	X				
10. Economic forces in the market	X	X		X	X	
11. Financial modelling and analysis	X	X				
12. Strategic and operational planning and use of key performance indicators (KPI)		X		X	X	X
13. Integrated, interactive and intelligent models for business analytics and reporting		X		X		X
14. Business model design		X			X	
15. Understanding the process, technique and value of scenario planning		X				
16. Analytical review of financial statements		X		X		X
17. Financial management models for data analysis and decision making		X			X	

COMPETENCY FRAMEWORK FOR CHIEF FINANCIAL OFFICERS (CFOS) IN PUBLIC INTEREST ENTITIES

Programme/Courses	6 Roles of a CFO***					
	1	2	3	4	5	6
18. Use of IT as key business enabler		X	X	X	X	
19. Understanding and utilising digital and smart technologies affecting the finance function		X	X	X	X	
20. Understanding data and advanced analytics for business intelligence and management information		X	X	X	X	
21. Finance process improvement			X			
22. Capital management				X		
23. Project financing				X		
24. Financial risk management				X		
25. Operational risk management (including strategic, reputational, regulatory and cyber risks)				X		
26. Performance management systems				X		
27. Program and change management				X		
28. Developing strategic framework and theory					X	
29. Handling the media						X
30. Organisational skills	X	X	X	X	X	X
31. Communication skills	X	X	X	X	X	X
32. Professional qualities and ethics	X	X	X	X	X	X

Note***: The 6 roles of a CFO (as shown in Section 5 of the Paper) comprise the following:

1. Ensuring business decisions are grounded in sound financial criteria.
2. Providing insight and analysis to support CEO and other senior managers.
3. Leading key initiatives in finance that support overall strategic goals.
4. Leading key funding, enabling and executing strategy set by CEO.
5. Developing and defining the overall strategy for your organization.
6. Representing the organisation's progress on strategic goals to external stakeholders

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Composition of the Seven Roundtable Discussions

1	Dato' Mohammad Faiz Azmi (Chairman)
2	Chua Wai Hong
3	Chong Chen Kien
4	Datuk Zaiton Mohd Hassan
5	Dato' Merina Abu Tahir
6	Datuk Mohd Nasir Ahmad
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11	Tan Lay Khoon
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13	Wong Kay Yong

Composition of the Focus Group Discussion held at Securities Commission Malaysia

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3	Ang Kheng Im
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5	Dato' Merina Abu Tahir
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8	Jeremy Nasrulhaq
9	Kok Cha Wei
10	Leong Kam Soon
11	Lee Leong Kui
12	Loo Ling Hong
13	Neo Hong Chee
14	Shafiq Abdul Jabbar
15	Teoh Hooi Nie

FEEDBACK FROM STAKEHOLDERS

A. Regulators

1. Bank Negara Malaysia
2. Securities Commission Malaysia
3. Bursa Malaysia Berhad
4. Suruhanjaya Syarikat Malaysia

B. Agencies

1. Unit Pelaksanaan & Prestasi Pendidikan (PADU)
2. Malaysian Institute of Integrity
3. Malaysian Directors Academy (MINDA)

C. Professional Bodies

1. International Federation of Accountants
2. Association of Chartered Certified Accountants
3. CPA Australia

D. Standard Setter

1. Malaysian Accounting Standards Board

E. Firms

1. Mohd Ali Abas & Co
2. Deloitte Consulting Malaysia
3. Hals & Associates

F. Others

1. Hamid Ghows
2. Leong Kah Mun
3. Dr Yap Kim Len
4. Chua Kwang Khim

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