

# **4<sup>th</sup> CFO Summit 2009**

**"CFOs to the Rescue"**

**6 – 7 July 2009**

**Sheraton Imperial, Kuala Lumpur**

**Keynote Address**

***YB Dato' Chor Chee Heung***

***Deputy Minister of Finance***

**Keynote Address for YB Dato' Chor Chee Heung**  
**Deputy Minister of Finance**  
**CFO Summit 2009**  
***"CFOs to the Rescue"***  
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YBhg Datuk Mohd Nasir Ahmad, President of ACCA Malaysia Advisory Committee

YBhg Dato' Dr Michael Yeoh, Chief Executive Officer, ASLI

Distinguished Guests

Members of the Media

Ladies and Gentlemen

It is an honour for me to be invited to speak at this CFO Summit 2009 which is being held for the fourth time here in Kuala Lumpur, Malaysia.

I wish to congratulate the organisers, ACCA (the Association of Chartered Certified Accountants) and the Asian Strategy and Leadership Institute (ASLI) for their commendable efforts in putting together this timely event, which is designed to develop the overall caliber of well-rounded financial executives, particularly during these daunting economic circumstances.

We meet at a critical juncture. The global financial crisis, which originated from the United States sub-prime mortgage defaults in mid-2007 rapidly escalated into a global financial crisis. The fallout of the financial crisis triggered a synchronized recession across the globe, the worst since the 1930s. Malaysia being a small, open and globally

integrated economy is not spared from the effects of the global economic crisis and economic downturn.

Being proactive and responsible, in November 2008 the Government introduced a RM7 billion stimulus package (First Stimulus Package) to mitigate the impact of the global financial crisis. Monetary policy complemented the fiscal stance and among other measures, the Overnight Policy Rate and Statutory Reserve Requirements were reduced to lower the cost of financing and financial intermediation.

With most advanced economies in recession and the outlook for emerging and developing economies deteriorating rapidly, the Government announced the Second Stimulus Package amounting to RM60 billion in March 2009, primarily focused on training and job creation, easing the burden of the rakyat, sustaining credit flows to support private sector activities and building capacity for the future. In addition, on 30<sup>th</sup> June 2009 the Government announced further liberalization measures, including on FIC, fund management and stock broking guidelines to enhance Malaysia as an investment destination.

According to the World Bank's latest forecast, global GDP is now predicted to contract by 2.9% and world trade by nearly 10% in 2009, sharply revised from its predictions made on 31 March 2009 of falls of 1.7% and 6.1% for global GDP and world trade respectively. Although global GDP growth is expected to rebound to 2% in 2010 and 3.2% by 2011, the World Bank still sees very difficult times ahead for the global economy. In the domestic front, given the extent and severity of the decline in global demand, the Malaysian economy is expected to contract 4% to 5% in 2009 before registering a mild growth in 2010.

This CFO Summit is an initiative that fits well with Malaysia's objectives of moving towards a more liberalized and high-income economy through creativity, innovation and high value-added activities. As Malaysia strives to move up the value chain, grooming

world-class human capital such as financial professionals through brain gain and talent development programmes will be vital to our international competitiveness. Intellectual capital can be the edge that persuades investors to choose Malaysian businesses and capital markets over our competitors. Although it will be a long and challenging road to developing people of premium caliber, I view this CFO Summit 2009 as an invaluable step in this metaphorical “journey of a thousand miles”.

Traditionally, the CFO is the front runner in anything involved with adherence compliance and fiscal policy standards, the person closest to the finance and the person who helps the CEO in terms of budgeting, ensuring the cost efficiency and investment planning.

In the current economic scenario, there is a need to replace traditional approaches with a more aggressive one, underpinned by a reexamination of earlier assumptions about earnings, growth and about how deep the downturn will be

Today’s regulatory demands, volatile economic circumstances and complex market conditions require specialized competencies and a role now more challenging and with wider responsibilities. CFOs’ are expected to make significant contributions in many areas. The CFO’s focus has also changed where there is now a shift to preserving value, providing strategic business advice and guidance to the CEO, improving the company’s internal controls, risk management and corporate governance initiatives.

In order to be effective corporate navigators, CFOs will have to broaden and deepen their skills sets. Already, the tougher trading climate has made the financial insight provided by CFOs even more valuable. Tighter controls on spending will need to be matched with greater creativity in generating income streams, which is an area in which CFOs naturally specialize.

Given the tighter credit climate, CFOs in companies where raising capital is an urgent priority must be skilled at the treasury function, optimising a balance sheet through asset valuation and must understand how capital markets operate. Flagging companies that need to restructure and divest businesses need CFOs with strong operating backgrounds. Ideally, these financial executives will possess the vision to link strategy and operations in order to drive cost reduction while providing insights into improving margins, efficient capital management and seizing new opportunities that result from the ongoing economic transformation. It goes without saying that in many financial services firms, CFOs need to be adept and accurate at valuing assets while being good at handling the increasing oversight and regulations imposed in the post sub-prime era. Last but certainly not least, technical competencies are still a must as the world heads towards convergence in financial reporting, underpinned by a shift in accounting models from the historic cost paradigm to fair value.

Apart from these skills, CFOs need to become strategy advisors and leaders to their organisations, as well as skilled risk and corporate governance managers. Tougher laws on compliance mean that the business environment is becoming more byzantine, whether due to additional regulatory burdens, global competition or innovation in business finance and transactions, and CFOs will need to be well-versed in corporate governance and regulations to help their organisations operate successfully.

CFOs play a crucial role, not just in ensuring probity in financial stewardship but in setting the right ethical example for the rest of the organisation to follow.

The various incidents of accounting frauds and irregularities demonstrate the sometimes tenuous relationship between the CEO and the CFO. In instances like this, CFO needs to be firm, to act with honesty and integrity, fall back on beliefs and values system and to remind and challenge the CEO and the management on the implications of the action being contemplated, the longer term impact on the company and its

reputation. This may not be an easy thing to do in light of the many pressures faced by companies today and more often than not, the need for immediate decisions to be made.

The CFO Summit 2009 is certainly timely, since CFOs will be able to gain the big picture of the expectations being placed on their shoulders even as the financial landscape shifts. The extensive programme and line-up of experienced speakers will also update CFOs on the most pressing economic and financial issues, while help CFOs identify how to acquire all the necessary skills that I mentioned earlier. Finally, as I said earlier, this CFO Summit 2009 dovetails perfectly with Malaysia's vision of becoming a global investment and business destination staffed by world-class talent, of whom CFOs are an integral part.

Having said all these, the fundamental characteristic of a truly professional CFO is one who has high ethical values. We have seen how greed and insatiable need for wealth has resulted in the collapse of many financial institutions. It is imperative that all CFOs hold steadfast to principles, particularly integrity in their daily decisions.

I hope that everybody present here will gain the maximum benefit from the many stimulating sessions lined up for today and tomorrow. May you all become the world-class CFOs which will maintain Malaysia's reputation as a bottomless well of financial talent as well as position us as a competitive Asian center for capital and business investment.

On that note, ladies and gentleman

I take great pleasure in declaring the CFO Summit 2009 open.

Thank you.

