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The CFO Program

CFO Perspectives

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CFO Speaks

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1. The CFO is expected to play role of both, the strategist and a business lead. Given the environment, how do you balance growth expectations and stability of business?

Given the 360 degree view that the CFO has of an organization, he/she is well placed to play a strategic role. There are different strategic drivers which help to drive business and opportunities. In a dynamic ever changing environment, finance has to play an important role in driving strategy to create value for the stakeholders. **"Finance function needs to be connected to the overall business to drive execution and strategy."**

As a CFO of a rapidly growing organization, it is a challenge to find a balance between growth and compliance while at the same time maintaining control over various other parts of the business. Thus, it is important to find solutions (and quickly) to the challenges and remove hindrances to growth. In a capital intensive business it is about efficient capital allocation and optimal cash management while expanding the business. In any business risks are inevitable but what is important is to keep them within manageable limits to sustain growth. It is important to **"design and create the right processes to improve the speed and efficiency of the service delivery by the finance organization".**

2. What in your view is the role of a CFO in acquiring the right financing for the organization, with low cost and utilizing it optimally to achieve and maintain high efficiency?

It is as important for a CFO to take a strategic view when it comes to right financing for the organization. While it is necessary to expand the pool of available capital, it is equally critical to maintain the right balance between debt and equity. A CFO should have a fund raising plan that ensures the right capital structure for his/her organization while evaluating the risk vs. benefits of the source of funding. Thus one of the most important question is; what is the right level of leverage that is sustainable and what should be the mix of fixed and floating rate borrowing.

One also needs to consider the maturity profile of the loan. It is imperative to understand that each borrowing is different and has to link up to the short and long term financing goals and earnings projections of a company. Refinancing risk therefore becomes an important consideration.

3. Being the CFO of a relatively new organization and a sector which is still emerging in India, what are your key challenges?

- Compliance is a challenge, especially when business is running at a fast pace. The CFO needs to create a compliance mindset in the organization where people understand the long-term impact of non-compliance which can not only hamper growth but also kill a business. To remain compliant at all times, we do training of both employees and our business partners and monitor it on a regular basis.
- Active risk management is equally important and challenging. Business wants to do lot of different things simultaneously to add capacity and grow fast, but at the same time we need to have a system of checks and balances in place. **"It is important to manage and mitigate risk without losing sight of opportunities".**
- Getting the right people in the right position continues to be a challenge. It is important to create a career path for the employees and groom them to be the leaders of tomorrow.
- In a fast paced growing organization, processes should be efficient and should be able to meet the needs of the business. Analytics and digitization helps us in improving process efficiency and gives us more time to understand the information to derive business opportunities.

4. The ability to attract and retain talent is seen as a key requirement for a CFO in the current era. How do you work towards building your finance team and retaining talent in order to boost your own performance and that of the organization?

As a CFO, I have to ensure that I surround myself with a talented and energetic set of people. It is important for the organization to ensure that it retains its 'attraction index' for potential employees in the market place while keeping itself relevant to the requirements of the 'millennials'. It is something that comes from both the organization and its culture as well as the personal branding of the leader. On the retention side, the organization needs to create a culture of trust, empowerment and meritocracy.

Further, it is also important for the CFO to create

intellectual leadership within the team from a succession planning perspective and to help improve the entire organizational efficiency.

Lastly, I feel there is a perception that automation will take jobs away. I say, it won't; rather automation will add value to their work and existing roles will be elevated. It would give employees more time for strategic thinking. The teams need to understand this and stay motivated.

5. As a CFO, how do you view your role in creating an ethical corporate culture in order to respond to the challenges in the business environment?

It is all about the values and culture driven from the top and ethical behavior at all levels is of utmost importance to us. If the top management realizes and understands that for the long-term survival of business it is important to maintain ethics and discipline in the business, the same message is percolated to the teams in an organization.

We are compliant and ethical in our business. We do not allow any unethical behavior at any level and reinforce this through our various programs internally for the employees and our business partners. Also there are processes and checks in place to monitor the employees and the vendors. **"A success is not one until and unless it is achieved in an ethical way."**

Expert Views

Cracking the financial crime mind

Financial crime has become a stay-awake issue for C-suite executives at banks and other financial institutions around the world. While it is difficult to quantify the costs of financial crime — which can include direct losses, fines for non-compliance, and reputational damage — there is no doubt it has become a significant issue for institutions and one that is more challenging by the day. In addition to the risk of losses from financial crime itself, companies also face spiralling costs in related areas - compliance with increasing regulation, ongoing crime detection efforts, internal investigations of potential wrongdoing, external enforcement actions and related remedial measures to be undertaken and any associated fines and penalties, class action lawsuits, and other litigation are among the factors.

Why do companies' compliance programs fail?

Financial crime approaches have become disconnected because many firms are essentially 'brown-field environments', in which activities have evolved as tactical responses to incremental changes in the external regulatory environment. Fractures have also occurred as organizations have grown and merged with others over time.

Separate divisions and their individual responsibilities (within one organization) struggling to come together, has resulted in crimes going undeterred, undetected and unchecked. In addition, operations have become costly and inefficient, and are now barely able to flex sufficiently to meet new regulatory requirements – a situation exacerbated by the multitude of legal and regulatory jurisdictions that many firms operate in and the essentially borderless nature of the crimes they are trying to defeat.

How should companies manage the risks associated with financial crime?

Financial crime is not just an event – a thing that happens. It's a constant pressure – a risk that's present at different stages in every part of financial services and corporate organizations. Compliance-based approaches addressing particular risks in a siloed or piecemeal fashion need to give way to holistic approaches that look at many types of financial crime risk across the multiple lines of business within the organization. Demonstrating controls across this complex picture is the biggest challenge today. In order to effectively detect, assess, prevent, and respond to financial crime, organizations should consider a more strategic and holistic risk management approach. Corporations need an enterprise-wide, integrated risk management strategy that accounts for the entire lifecycle – compliance, prevention, detection, investigation, remediation, monitoring, and testing. It is clear that a siloed, minimal approach will no longer cut it.

Regulators across the globe have laid a significant amount of pressure and expectation on the industry, penalizing institutions for not being aware. Overall, the trend is toward a broader risk-based approach with shared responsibility by management, staff, the board of directors, and internal audit with someone such as the Chief Compliance Officer or Chief Legal Officer to have over-arching responsibility. Accomplishing this transition typically involves a focused change management effort for the organization.

Signs of an inadequate financial crime risk management program could include?

- **Poor relationship due diligence practices.** While some organizations may conduct sufficient third-party and customer diligence

related to new relationships, they may not review due diligence performed on existing third parties and clients.

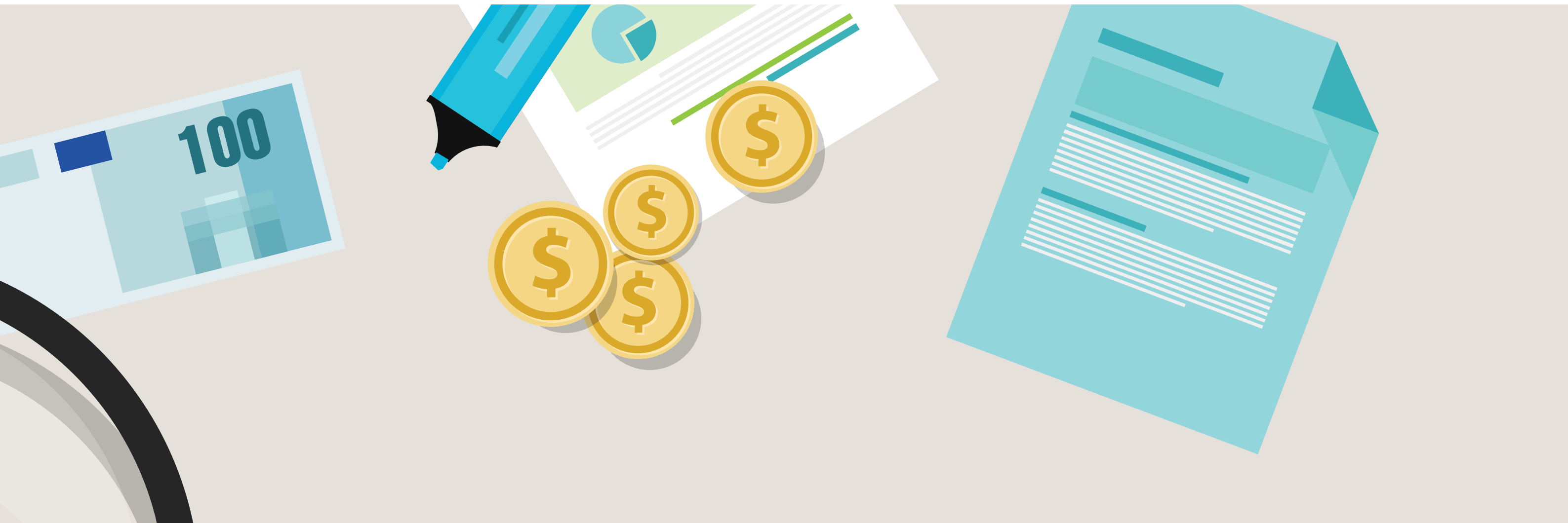
- **Lack of visibility into ultimate beneficial ownership structures.**
  Potentially restricted entities and thinly capitalized foreign companies may conceal the identities of the individuals behind them for nefarious reasons. Business rationales for maintaining relationships with those resisting transparency may be outdated.
- **Limited use of advanced analytics to monitor payments.**
  Whether payments are made to thinly capitalized holding companies in riskier jurisdictions or paid by potentially restricted entities and their third parties, robust use of payments analytics can help. The quality of analytics outcomes, however, is only as high as the quality of data analysed.
- **Lack of insight into the "big picture".**
  Traditionally, financial institutions have looked at AML (anti-money laundering) and fraud monitoring systems separately. However, a fraud alert could also be a potential money laundering issue. What is required, is for an organization to 'join the dots' and look at the likely common, connecting elements.

What role does technology play in managing financial crime risk?

Organizations seeking to take a more holistic approach to financial crime should focus on the vital role that data and analytics has to play in their operating model. The target operating model should be constructed around a central analytics 'hub' – the firm's engine room for financial crime risk management, which delivers high quality, actionable insights that can be used to detect, prevent and deter crime.

The operating model should focus on linking previously disconnected areas of financial crime activity, to explore the overlaps, synergies and linkages that exist between cross-firm data sets. Analysis can focus on historical data – to detect previously unnoticed crimes – or use data flowing into the firm to generate alerts that trigger more in-depth analysis. Ultimately, the data can be used to build models capable of estimating the probability of future crimes occurring, which means firms can become proactive rather than reactive, and thus reduce the potential for significant losses.

Apart from looking at only data (and technology) for analysis, the operating model should also bring together elements such as strategy, operations and people, policies and processes, governance and compliance, external reporting and data quality. All of these combined have the potential to deliver a unified risk management approach.



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