LOCKING DOWN A CFO STUDY

by Steve Brown

Lock 500 CFOs in a room, serve up some pretzels, throw out provocative facts to discuss and you are likely going to walk away with lots of good ideas and suggestions as discussion ensues.

While we have not locked anyone in any rooms lately, here are the results of a recent group of CFO surveys that we found quite interesting and so we wanted to share.

When it comes to the skills needed to be an effective CFO, the top 5 most cited (participants could vote 3 times) included: management capability (63%), financial planning/analysis skills (55%), ability to think strategically (38%), cost cutting experience (35%) and communications skills (32%).

As for time spent on various tasks, CFOs indicate they mostly focus on finance issues (27%), followed by shaping corporate strategy (20%), risk management (16%), operational issues (15%) and dealing with compliance issues (9%).

On the economic front, 67% of CFOs remain pessimistic about the economy as most project recovery will not begin to take firm hold until the end of 2010 or early 2011.

To boost corporate earnings as banks struggle to deal with asset quality issues, CFOs project IT spending will be cut by about 6%, as marketing and advertising are reduced by 7%. In addition, about 60% of all US companies are instituting a hiring freeze and about the same percentage are freezing wages.

Highlighting areas of key importance under their responsibility, about 80% of CFOs said measuring and monitoring business performance; 72% mentioned meeting fiduciary and statutory requirements; 70% indicated developing people; 69% referred to the importance of aligning the finance team with the business lines and 68% said it was critical to focus on continuous process and business improvement.

These data points indicated CFOs are doing exactly what CEOs would expect. They are spending time focusing on ways to make the business better, improve measurement and monitoring of business performance, improve processes, drive down costs, identify growth areas and ensure the bank remains responsive and competitive.

CFOs are also taking a larger role in management and strategic direction. In fact, surveys find 69% of CFOs are deemed to be a key part of the top management team. In addition, about 50% "own" the financial presentation of bank performance to the Board. Meanwhile, 33% feel strongly that they provide the data for key decision support and about 32% help set strategic direction for the bank.

No matter what you do for the bank, we are sure these days there is very little time left to yourself to do much thinking. CFOs are critical to the success of any bank and given such extreme strain on the industry and the overall economy things are going to remain this way for at least the near term, so we remind all employees to be kind to your number-cruncher buddies roaming around the bank.

BANK NEWS

Correction

In the 12/1 BID, we incorrectly stated that FNMA was now requiring borrowers to have 20% down to qualify for a home loan. Several changes to underwriting criteria were incorporated, including an increase in the minimum borrower credit score from 580 to 620 and a decrease in the allowable debt-to-income (DTI) ratio among others, but the 20% down payment requirement is not one of those.

Basel

The Basel Committee released new proposals for comment (until 4/16/10), aimed at strengthening the banking sector through new capital and liquidity standards. Proposed changes include new metrics for liquidity risk management (including leverage), grading of capital for quality and strengthening capital requirements for counterparty credit risk.

New Old Bill

The Banking Integrity Act of 2009 was introduced this week, which would reinstate the Glass-Steagall Act of 1933 (and abolish the Gramm-Leach-Bliley Act of 1999). All federally insured banks would be prohibited from insurance activities and affiliations with investment operations. Those currently engaged in these business arms will have one year to divest those operations.

FDIC Insight

The FDIC released the winter issue of Supervisory Insights magazine. It provides a good primer on effective interest rate risk management in a rising rate environment; information CRA compliance; customer information risk and a recap of recent regulatory changes.

Commercial Lending

Econometrics LLC indicates unpaid CRE loans reached a 16Y high of 3.4% in the 3Q and projects it could reach 5.3% in 2Ys. Meanwhile, billionaire investors Sam Zell, Richard LeFrak and Wilbur Ross told CNBC they think fears of a commercial property collapse are exaggerated.

Stronger Lending

The two largest home lenders, Bank of America and Wells Fargo, project home prices will not fall much further in 2010 (maybe 4%) and that commercial property defaults won't be a major threat.