

A look at CFO's Role and Responsibility in the Corporate Legislations of SAARC Countries



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This Paper attempts to provide an insight into the role and responsibility of Chief Financial Officers (CFOs), as defined in the corporate legislations of SAARC countries viz. Pakistan, India, Bangladesh and Sri Lanka. Initially, we would look at the different roles and duties that a CFO generally performs vis-à-vis its changing roles after enactment of the Sarbanes-Oxley Act of 2002.

Diversified and Changing Role of a CFO

A Chief Financial Officer or a CFO is a senior executive within a company who oversees the financial operation of the company, with key responsibility to look after its financial affairs, including financial planning and management, budgeting and tax compliance. In larger organizations, a CFO is viewed as a 'business strategic partner' and is involved in key decision making by the Company Boards. With the emerging capital market function, a CFO's role has changed dramatically and today's CFO are now very much involved in decisions relating to financing and raising capital, financial risk management, capital risk management, enterprise risk management, strategic planning, investors relations and analysis of business unit performance. A CFO has also to implement cost savings measures, in his role within the company management.

Certification of Financial Reports by CFO under Sarbanes-Oxley Act of 2002

The official name of the Sarbanes-Oxley Act is "Public Company Accounting Reform and Investor Protection Act of 2002. This Act which was sponsored by Paul Sarbanes and Michael Oxley was enacted by the US Congress to streamline and bring transparency in the financial disclosures of companies; and to restore the lost confidence of investors, shaken due mainly to the well-known Corporate and accounting scandals in 2001 of large US Corporations viz. Enron, Tyco and WorldCom. These scandals resulted in bankruptcies and huge stock losses emanating from misleading financial disclosures, which wrongly reflected the true state of company's finances. The Sarbanes-Oxley Act has, in fact, held the Chief Financial Officer, along with the CEO, responsible and accountable for any misreporting in publicly declared financial statements. This Act has ensured that the financial disclosures are accurate and reliable by making it mandatory for the CFO and the CEO to certify the accuracy and authenticity of the financial statements. The CFO is now responsible to keep a strict vigilance and oversight over all the financial matters, especially those related to disclosures and reporting. In this context, for reference purpose, the two relevant Sections of the Sarbanes-Oxley Act viz. Section 302 and Section 906 are reproduced below:

Section 302 of SOX Act

Section 302 makes it mandatory for the CFO and the CEO to certify and approve the integrity of financial reports of the company. The relevant excerpt of Section 302 is reproduced hereunder:

Section 302: Corporate Responsibility for Financial Reports

a) Regulations Required. The Commission shall, by rule, require, for each company filing periodic reports under section 13(a) or 15(d) of the Securities Exchange Act of 1934, that the principal executive officer or officers and the principal financial officer or officers, or persons performing similar functions, certify in each annual or quarterly report filed or submitted under either such section of such Act that--

1. the signing officer has reviewed the report;
2. based on the officer's knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading;
3. based on such officer's knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the issuer as of, and for, the periods presented in the report;
4. the signing officers--
 - A. are responsible for establishing and maintaining internal controls
 - B. have designed such internal controls to ensure that material information relating to the issuer and its consolidated subsidiaries is made known to such officers by others within those entities, particularly during the period in which the periodic reports are being prepared;
 - C. have evaluated the effectiveness of the issuer's internal controls as of a date within 90 days prior to the report; and
 - D. have presented in the report their conclusions about the effectiveness of their internal controls based on their evaluation as of that date;
5. the signing officers have disclosed to the issuer's auditors and the audit committee of the board of directors (or persons fulfilling the equivalent function)--
 - A. all significant deficiencies in the design or operation of internal controls which could adversely affect the issuer's ability to record, process, summarize, and report financial data and have identified for the issuer's auditors any material weaknesses in internal controls; and
 - B. any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls; and
6. the signing officers have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

b) Foreign Re-incorporations Have No Effect. Nothing in this section 302 shall be interpreted or applied in any way to allow any issuer to lessen the legal force of the statement required under this section 302, by an issuer having reincorporated or having engaged in any other transaction that resulted in the transfer of corporate domicile or offices of the issuer from inside the United States to outside of the United States.

Section 906 of SOX Act

Section 906 is a criminal provision in the SOX Act which has added a new Section 1350 to Title 18 of the United States Code, with regard to certification of financial reports of the Company by the CEO and CFO. Under this Section, the penalties can be over US\$ 5 million in fines and 20 years in prison. The relevant excerpt of Section 906 is reproduced hereunder:

Section 906: Corporate Responsibility for Financial Reports

- (a) **CERTIFICATION OF PERIODIC FINANCIAL REPORTS.** Each periodic report containing financial statements filed by an issuer with the Securities Exchange Commission pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)) shall be accompanied by a written statement by the chief executive officer and chief financial officer (or equivalent thereof) of the issuer.
- (b) **CONTENT.** The statement required under subsection (a) shall certify that the periodic report containing the financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.
- (c) **CRIMINAL PENALTIES.** Whoever
- (1) Certifies any statement as set forth in subsections (a) and (b) of this section knowing that the periodic report accompanying the statement does not comport with all the requirements set forth in this section shall be fined not more than \$1,000,000 or imprisoned not more than 10 years, or both; or
 - (2) Willfully certifies any statement as set forth in subsections (a) and (b) of this section knowing that the periodic report accompanying the statement does not comport with all the requirements set forth in this section shall be fined not more than \$5,000,000, or imprisoned not more than 20 years, or both.

Corporate Legislations in SAARC Countries

Now, we look at the roles and responsibilities of a **Chief Financial Officer (CFO)**, as defined in the corporate legislations of SAARC Countries viz. Pakistan, India, Bangladesh and Sri Lanka.

In **Pakistan**, the two main corporate legislations are the Companies Ordinance, 1984 and the Code of Corporate Governance, 2012, issued by the Securities and Exchange Commission of Pakistan (SECP). The Code 2013 replaces the Code of Corporate Governance issued earlier in 2002.

In **India**, the two relevant legislations include the Companies Act, 1956 and the Listing Regulations. It may be noted here that the Ministry of Corporate Affairs (MCA) of India, through a notification dated 12th September 2013, has notified 98 Sections of the Companies Act, 2013, which would be immediately effective (i.e. from 12th September 2013). Now, both the Companies Act, 1956 and Companies Act, 2013 would be read together. Further the MCA has released the draft Rules for 16 Chapters under the Companies Act, 2013 for public comments in first phase. The last date for recording comments on these Rules is 8th October 2013.

In **Bangladesh**, the corporate legislations are the Companies Act (Bangladesh), 1994 and the Revised Corporate Governance Guidelines dated 7th August 2012, issued by the Bangladesh Securities and Exchange Commission on 3rd September 2013.

These Guidelines replaces the Corporate Governance Guidelines issued earlier in 2006.

In **Sri Lanka**, the two legislations include the Companies Act No. 07 of 2007 and the Code of Best Practice on Corporate Governance, 2013 (issued in July 1997; revised in 2003 and 2008) by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

Pakistan



The Companies Ordinance, 1984

The Ordinance does not either provide any definition for a 'Chief Financial Officer (CFO)' or any detail about its role and responsibilities in a company. However, under clause 30A of Section 2 - 'Reports to be set out' of Part 1 on "Matters to be specified in Prospectus and Reports to be set out therein" of Second Schedule of the Ordinance, the CFO (along with the CE) has been authorized to certify the Prospectus of company. This clause 30A, which was inserted in the Companies Ordinance, 1984 through SRO 157 dated March 13, 2001, is reproduced below:

*Quote: 30A. The Chief Executive and the **Chief Financial Officer** of the company shall certify that the prospectus constitutes a full, true and plain disclosure of all material facts relating to the securities offered by the prospectus. **Unquote***

The Code of Corporate Governance, 2012

The Code of Corporate Governance is the only legislation which provides maximum details about the duties and responsibilities of a Chief Financial Officer. The details are summarized below:

(1) Appointment and Removal of a CFO (Clause xii)

Clause xii of the Code of Corporate Governance provides details with regard to the appointment and removal of a Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. The relevant extract is reproduced below:

Quote: (xii) The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer (CFO), the Company Secretary and the Head of Internal Audit of listed companies shall be determined by the board of directors. The removal of the CFO and Company Secretary of listed companies shall be made with the approval of the board of directors. **Unquote**

It is to be noted here that under the Code 2002, the appointment, remuneration and terms and conditions of employment of a CFO was determined by the CEO and approved by the Board. The same mechanism was followed for CFO's removal. However, under Code 2012, the appointment, remuneration and terms and conditions of employment of CFO of listed companies shall now be determined by the Board of the company. The removal of the CFO shall also be by the Board. However, as per clause xii, if the contract of CFO is not renewed, it shall be termed as 'removal'.

Recently, the Securities and Exchange Commission of Pakistan (SECP) has promulgated the 'Public Sector Companies (Corporate Governance) Rules, 2013 which has become effective on all public sector companies in Pakistan from July 2013. Under Clause 13 of these Rules, the Board has been given entitlement to appoint the Chief Financial Officer. The relevant clause is reproduced below:

Quote: 13. Chief Financial Officer, Company Secretary and Chief Internal Auditor - appointment and removal.

(1) The Board shall appoint a chief financial officer, a company secretary and a chief internal auditor.

(2) The appointment, remuneration and terms and conditions of employment of the chief financial officer, the company secretary and the chief internal auditor of Public Sector Company shall be determined with the approval of the Board.

(3) The chief financial officer, the company secretary, or the chief internal auditor of Public Sector Company shall not be removed except with the approval of the Board. **Unquote**

(2) Qualifications of a CFO (clause xiii)

Clause xiii of the Code of Corporate Governance provides details with regard to the qualification of a Chief Financial Officer. The relevant extract is reproduced below:

Quote: (xiii) No person shall be appointed as the CFO of a listed company unless he/she has at least five years of experience of handling financial or corporate affairs of a listed company or a bank or a financial institution and is:

- (a) A member of a recognized body of professional accountants; or
- (b) has a postgraduate degree in finance from a recognized university or equivalent.

Provided that individuals serving as CFO of a listed company for the last five years at the time of coming into effect of this Code shall be exempted from the above qualification requirement. **Unquote**

It may be noted here that the qualification criteria for the CFO of a listed company shall not be applicable to individuals serving as the CFO of a listed company for the last five years at the time of coming into effect of Code 2012. However, the terms and conditions of employment of existing CFO of a listed company need to be ratified in terms of the Code 2012. It is preferred that separate persons handle the functions of the CFO and Company Secretary within a listed company. In this connection, SECP circular # 15 dated 8th July, 2003 requires that listed companies should have full time employee designated to perform specific assignments of company secretary.

2.1) Foreign qualification and experience do not bar any person to become a CFO

An individual who has graduated from a foreign university with an equivalent degree can also be considered as a postgraduate or equivalent for appointment as a CFO, subject to condition that he may obtain an 'equivalence certificate' from the Higher Education Commission (HEC) of Pakistan under Section 10(1)(o) of the HEC Ordinance, 2002. The educational qualifications, once verified by the HEC, are sufficient requirement for the purposes of the Code 2012.

Similarly, an individual who have atleast five years experience in handling accounts and finance in a listed company or a bank or a financial institution outside Pakistan shall also be deemed eligible to be appointed as a CFO under above clause xiii of Code 2012.

In short, it should be clear that foreign education and qualifications do not bar any person from pursuing his career as a CFO in Pakistan. The requirement of Sub-clause (b) of Clause (xiii) of the Code 2012 should be read as a whole and, therefore, a person

cannot be appointed as a CFO unless he has both the required qualification and the experience.

2.2) CFO of a listed company can hold similar positions in two group companies

The CFO of a listed company can hold a similar position in a group company as the Code 2012 does not impose any restrictions in this regard. However, the Board of Directors of the companies concerned must ensure that additional workload would not affect the performance of the CFO and no conflict of interest arise as a result of holding similar positions in two group companies.

2.3) Qualification of CFO for public sector companies in Pakistan

Clause 14 of the 'Public Sector Companies (Corporate Governance) Rules, 2013 explains the role and qualification of a CFO required for public sector company. This clause is reproduced below:

Quote: 14. Role and qualification of Chief Financial Officer and Company Secretary.

(1) The chief financial officer shall be responsible for ensuring that appropriate advice is given to the Board on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

(2) No person shall be appointed as Chief financial officer of a Public Sector Company unless he is,-

(a) A member of a recognized body of professional accountants with atleast five years relevant experience, in case of Public Sector Companies having total assets of five billion rupees or more; or

(b) person holding a master degree in finance from a university recognized by the Higher Education Commission with at least ten years relevant experience, in case of other Public Sector Companies. **Unquote**

It may be pointed out here that under sub-clause 5 of Clause 14 of the PSC (CG) Rules, it has been stated that "no person shall be appointed to the positions of Chief Financial Officer and Company Secretary unless he is fit and proper for the position".

(3) CFO's requirement to attend Board meetings (Clause xv)

It needs to be mentioned here that the CFO, along with the Company Secretary can also attend the meetings of the Board of Directors. In this context, the relevant clause (xv) of the Code 2012 is reproduced below:

Quote: (xv) The CFO and Company Secretary of a listed company or in their absence, the nominee, appointed by the board, shall attend all meetings of the Board of Directors. Provided that the CFO and Company Secretary shall not attend such part of a meeting of the Board of Directors, which involves consideration of an agenda item relating to the CFO and Company Secretary respectively.

The above provision is also applicable for CFO in public sector companies. It may be noted that under clause 45 of Code 2012, a CFO shall not be appointed as the Secretary to Audit Committee.

(4) CFO's Role in Financial Reporting and Corporate Compliance (Clause xxi)

A CFO is responsible, along with the CEO, to endorse and sign the financial statements of the company, as required under clause (xxi)

of the Code of Corporate Governance, 2012. The relevant excerpt of this clause is reproduced below:

Quote: (xxi) No listed company shall circulate its financial statements unless the CEO and the CFO present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors.

It shall be mandatory for the CEO and CFO to have the second quarterly and annual accounts (both separate and consolidated where applicable) initialed by the external auditors before presenting it to the audit committee and the Board of Directors for approval. **Unquote**

Similarly, under Clause 20 of 'Public Sector Companies (Corporate Governance) Rules, 2013, the CFO's responsibility for financial reporting and corporate compliance has been explained as under:

Quote: 20. Responsibility for financial reporting and corporate compliance. No Public Sector Company shall circulate its financial statements unless the chief executive and the Chief Financial Officer present the financial statements, duly certified under their respective signatures, for consideration and approval of the audit committee and the Board. The Board shall, after consideration and approval, authorize the signing of financial statements for issuance and circulation. **Unquote**

In case the CEO and CFO of a company are out of country or on leave, any alternative executive of the company, officiating in the capacity of the CEO or the CFO, would be competent to endorse and present the financial statements before the board of directors of the company, keeping in view the provisions of sub-section (1) and (2) of Section 241 of the Companies Ordinance, 1984.

India



The Companies Act, 2013

The Companies Act 2013 has recently been enacted in India which replaces the half-century old Companies Act, 1956. The Company Bill 2012 was passed by the Indian Parliament and received

Presidential assent in late August 2013. Through a notification dated 12th September 2012, the Ministry of Corporate Affairs (MCA) of India has notified 98 Section of the new Companies Act 2013 which is immediately effective i.e. from 12th September 2012. Now, both the Companies Act 1956 and the Companies Act, 2013 would be read together. MCA has released the draft Rules for 16 Chapters under the new Companies Act for public comments.

It is interesting to note here that the Indian Companies Act of 1956 did not define the role and responsibility of a Chief Financial Officer (CFO). However, in the new Companies Act, 2013, under Sub-section 19 of Section 2 - 'Definitions', the term of Chief Financial Officer has been introduced for the first time. Further, under Sub-section 51 of Section 2, a new term "Key Managerial Personnel" has been introduced which also includes the **Chief Financial Officer**, in addition to Chief Executive Officer, Company Secretary and whole-time director. This has further been defined under Section 203 of the Companies Act 2013, which is reproduced below:

Quote: 203. (1) Every company belonging to such class or classes of companies as may be prescribed shall have the following whole-time key managerial personnel,

(i) Managing Director, or Chief Executive Officer or Manager and in their absence, a whole-time director; (ii) Company Secretary; and (iii) Chief Financial Officer: **Unquote**

(1) Requirement for mentioning name of CFO in Prospectus (Section 26)

Sub-section 1(a) (i) of Section 26 of the Companies Act, 2013 makes it mandatory for a public company to mention the name and address of CFO in the Prospectus. The relevant extract of this relevant section is reproduced below:

26. (1) Every prospectus issued by or on behalf of a public company either with reference to its formation or subsequently, or by or on behalf of any person who is or has been engaged or interested in the formation of a public company, shall be dated and signed and shall

(a) state the following information, namely:

(i) names and addresses of the registered office of the company, company secretary, **Chief Financial Officer**, auditors, legal advisers, bankers, trustees, if any, underwriters and such other persons as may be prescribed;

(2) CFO can be punishable for contravening requirement of maintaining books of accounts (Section 128 (6))

Section 128 makes it mandatory for every company in India to prepare and keep its books of accounts, which should give a true and fair view of the state of affairs of the company. Under sub-section (6) of Section 128, it has been mentioned that even a CFO can be punished in case of contravention of this relevant section. The extract of this Section 128 (6) is reproduced below:

Quote: (6) If the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person of a company charged by the Board with the duty of complying with the provisions of this section, contravenes such provisions, such managing director, whole-time director in charge of finance, **Chief Financial officer** or such other person of the company shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees or with both. **Unquote**

Similar punishment is also mentioned under sub-section (17) of Section 129 of the Act 2013 in case the concerned official, including CFO of a company, contravenes the provision of this Section.

(3) CFO can be one of the signatories of Financial Statement (Section 134)

Under Section 134, a CFO can be one of the signatories of the financial statement, including consolidated financial statement, after approval and being appointed by the board of directors to do so. The relevant excerpt of Section 124 is give below:

Quote: 134. (1) The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board at least by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of a One Person Company, only by one director, for submission to the auditor for his report thereon. **Unquote**

(4) CFO can be punishable if he fails to file copy of statements with the Registrar within thirty days of date of AGM (Section 137 (3))

Section 137 makes it mandatory for every company in India to file a copy of financial statement, including consolidated financial statement, along with all the documents which are required to be or attached to such financial statements under the Act, duly adopted at the AGM of the company; with the Registrar within thirty (30) days of the date of AGM. Under sub-section (3) of Section 137, a CFO can also be held responsible and punishable if he fails to comply with the provisions of this Section. The relevant extract of sub-section (3) is reproduced below:

Quote: (3) If a company fails to file the copy of the financial statements under sub-section (1) or sub-section (2), as the case may be, before the expiry of the period specified in section 403, the company shall be punishable with fine of one thousand rupees for every day during which the failure continues but which shall not be more than ten lakh rupees, and the managing director and the **Chief Financial Officer** of the company, if any, and, in the absence of the managing director and the **Chief Financial Officer**, any other director who is charged by the Board with the responsibility of complying with the provisions of this section, and, in the absence of any such director, all the directors of the company, shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both. **Unquote**

(5) Appointment and Removal of a CFO (Section 77- Table F & Section 28-Table H)

Table-F of the Indian Companies Act, 2013 provides the regulations for 'Articles of Association of a Company Limited by Shares'. Under the Clause (77) of these Regulations, the procedure for appointment and removal of a CFO, along with CEO and Company Secretary has been defined. The relevant excerpt of Clause (77) is reproduced below:

Quote: Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer

77. Subject to the provisions of the Act, (i) A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board; (ii) A director may be appointed as chief executive officer, manager, company secretary or chief financial officer. **Unquote**

The above reproduced procedure for appointment and removal of a CFO and other Key Personnel has also been provided under Clause (28) of Table-H related to 'Articles of Association of a Company Limited by Guarantee and not having Share Capital'.

Revised Clause 49 of Listing Agreement on Corporate Governance

The Securities and Exchange Board of India (SEBI), on the recommendation of the 'Committee on Corporate Governance', constituted in 2002-2003, made certain amendments in Clause 49 of the Listing Agreement. Thereafter, SEBI notified the revised provisions of Clause 49 vide circular dated 29th October 2004,

dealing with corporate governance in listed companies. The revised Clause 49 has incorporated certain provisions of the 'Sarbanes-Oxley Act of USA, which requires the CEO and CFO to certify to the Board about the authenticity of annual financial statements and credibility of the risk management and internal control systems and procedures of the company.

It is mandatory for all the listed companies in India to comply with the provisions of the revised Clause 49 of Listing Agreement, which has become effective from 31st December 2005. It is applicable not only on those companies, which intends to acquire listing in Stock Exchange for the first time; but also on existing listed companies having a paid up share capital of Indian Rupee 3 crores and above or net worth of Rs. 25 crores or more at any time in the history of the company.

(1) Requirement for Certification by CFO to the Board (Clause 49 (V))

One of the mandatory provisions of revised Clause 49 of Listing Agreement is that the CEO and the Chief Financial Officer of the listed company shall certify to the Board about the authenticity of the financial statement as well as the credibility of the internal control and systems in the company. The excerpt of Clause 49 (V) of Listing Agreement is reproduced below:

Quote: V. CEO/CFO certification: The CEO, i.e. the Managing Director or Manager appointed in terms of the Companies Act, 1956 and the CFO i.e. the whole-time Finance Director or any other person heading the finance function discharging that function shall certify to the Board that:

(a) They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief: -(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of company's code of conduct.

(c) They accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

(d) They have indicated to the auditors and the Audit committee- (i) significant changes in internal control during the year; (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system. **Unquote**

It may further be noted here that under Clause 49 (VII) of the Listing Agreement, it is a mandatory requirement for a listed company to provide information to the Board about the appointment and removal of the CFO and Company Secretary.

Bangladesh



The Companies Act, 1994 of Bangladesh does not cover any detail about the role and responsibility of a Chief Financial Officer. The only legislation that defines the procedure for appointment, qualification and duties of a CFO, is the 'Corporate

Governance Guidelines', which was issued by the Securities and Exchange Commission of Bangladesh in February 2006. The objective of these Guidelines was to elevate corporate governance scenario in the listed companies of Bangladesh. Under these Guidelines, the listed companies were required to appoint a 'Chief Financial Officer (CFO)', a Head of Internal Audit and a Company Secretary. Further, the CFO along with Company Secretary was also required to attend the Board meetings. On 7th August 2013, the Bangladesh Securities and Exchange Commission issued a 'Revised Corporate Governance Guidelines', which supersedes the earlier Guidelines issued on 20th February 2006.

Revised Corporate Governance Guidelines, 2013

The revised corporate governance guidelines provide provision that the Board of Directors of listed companies in Bangladesh should clearly define the roles, responsibilities and duties of the CFO. The relevant conditions of the revised guidelines, related to CFO, are reproduced below:

(1) Appointment of a CFO (Condition 2.1)

Under condition 2.1, every listed company in Bangladesh is required to appoint a Chief Financial Officer (CFO) and the board of companies is required to define his role, responsibilities and duties. An excerpt of condition 2.1 is reproduced below:

Quote: 2.1 Appointment: *The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS. Unquote*

(2) Requirement for attending Board meetings by CFO (Condition 2.2)

A CFO can attend the meetings of Board of Directors, as envisaged under condition 2.2 of the revised corporate governance guidelines. The relevant extract is reproduced below:

Quote: 2.2 Requirement to attend the Board Meetings: *The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters. Unquote*

(2) Requirement for certifying financial statement by CFO (Condition 6)

A CFO is required to certify the authenticity of the financial statements of the company under condition 6 of the revised guidelines. The relevant extract is reproduced below:

Quote: 6. Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO): *The CEO and CFO shall certify to the Board that:-*

(i) *They have reviewed financial statements for the year and that to the best of their knowledge and belief...*

(a) *these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;*

(b) *these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.*

(ii) *There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct. Unquote*

Sri Lanka



The Companies Act No. 07 of 2007 of Sri Lanka does not have any provision with regard to the duties and responsibility of a Chief Financial Officer (CFO). Under Section 150 of this Act, the duty to prepare the financial statements rests with the

Board of the company, which must ensure that it is completed well in time; certified by the person responsible for the preparation of the financial statements, and finally signed on behalf of the Board by two directors of the company.

Similarly, the **Code of Best Practice on Corporate Governance, 2013** issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (first issued in 1997 and revised later in 2003 and 2008) also do not provide any specific detail about the role, duties and responsibilities of a Chief Financial Officer.

SEC Guidelines for Appointment of Auditors of Listed

The Securities and Exchange Commission of Sri Lanka has issued 'Guidelines for Appointment of Auditors of Listed Companies'. Under Section 4 on 'Financial Reporting', the Chief Financial Officer and the Chief Executive Officer of listed companies are required to certify the authenticity of the financial statements. The relevant extract of Section 4 is reproduced below:

Quote: SECTION 4: Financial Reporting

4.1 *The Chief Executive Officer and the Chief Financial Officer of the listed company are required to forward a declaration that all reasonable steps have been taken to ensure that the financial statements show a true and fair view. This declaration may be included in the Annual Report (refer Annex 2). Unquote*

Listing Rules of Colombo Stock Exchange

Under Rule 7.10.6 on 'Audit Committee' of the Listing Rules of the Colombo Stock Exchange, the CFO has been allowed to attend the audit committee meetings. The extract of this rule is as under:

Quote: 7.10.6 Audit Committee

Unless otherwise determined by the audit committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings. Unquote