CFO one-on-one

Jennifer Hill is the CFO Global Banking and Markets at Bank of America Merrill Lynch, which includes the investment bank and markets business.

Three of the four largest global investment banks have female CFO's, which is disproportionate to the Fortune 500 average. Jennifer provides her perspective on why that may be the case, as well as an interesting insight into investment banking now several years after the Global Financial Crisis.

Career Highlight

Many would consider this a 'low-light' but I considered it a highlight to complete the sale of 84% of RBS to the British government. Getting something done in the middle of the financial crisis between two parties with dramatically opposed view-points on the desired outcome was interesting! At the end of the day, despite nearly insurmountable odds, we achieved the best outcome in the given environment.

What things set you apart from other CFO's?

One of the key things with investment banks is many CFO's, like myself, come from non-traditional backgrounds. It is important to have the 'front-office' exposure.

Today's CFO needs to be far more commercial and strategic than ever before due to increased competition in the marketplace, changing regulatory hurdles and a revenue-challenged industry- a background outside of the traditional finance role helps you provide commercial understanding and strategic advice. There are many examples of this - Ruth Porat (Morgan Stanley) and Harvey Schwartz (Goldman Sachs) for instance. Ruth came from a career in FIG which I believe is ideal. There are a lot of common traits and skills between CFOs and FIG bankers – it is just that your analysis of issues with capital, liquidity and strategy is now directed at your own firm.

For a CFO, the fundamental day job is being a financial controller and understanding the accounting infrastructure, management reporting and metrics, balance sheet and income statement details and capital and liquidity issues. Whilst the CFO is a more strategic role today you cannot lose sight of the fundamentals. A perfect background for a good strategic CFO would be a combination of the controller / accounting experience as well as the commercial experience with in-depth product knowledge – or a strong team around that person to round out the skill set.

You said recently in an interview that you found having a career mentor very valuable. The advice you were given was to make sure your resume tells a story and so what is the next thing you want your resume to say about you?

My resume shows that I generally have about a 3 year attention span and I have been in this role for just over 3 years. I have already begun working on a strategic initiative of the bank which is looking at operational efficiency. It has given me a lens across the whole business including the retail bank, an area where I have not had a great deal of exposure. I am also working closely with our global technology and operations teams and this has been a great opportunity to get more exposure to the operational side of the business.

Phil McCann speaks candidly with Jennifer Hill, CFO with BofA Merrill Lynch...

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My next role is uncertain, but it could be an enterprise wide role as a number of the initiatives I am working on in this project have firm-wide implications on client and employee efficiency. In an environment where more capital and liquidity is required, returns can get squeezed and as such, firms who really control the expense base and can scale their operations to meet demand will have a competitive advantage.

What are the 3 top CFO skills beyond good financial management?

Firstly, a CFO needs to have a strategic vision for the company. The numbers don't lie – it is understanding how all the pieces fit together and helping the management team understand what levers can be pulled to change outcomes.

Secondly, a CFO in an investment bank needs to understand the requirements of the regulators. They are really the external audience which is most critical for a financial institution in the current environment. Know the rules, the changes and how they impact your financial performance.

Lastly, attention to detail is vital. A CFO must understand all aspects of the balance sheet, liquidity, capital, risk, etc.

3 of the top investment banks have relatively young, smart women as their CFO's (Marianne Lake at JP Morgan and Ruth Porat at Morgan Stanley), which is somewhat disproportionate to the Fortune 500 average. Why do you think that is?

That is a good question. For me personally, I think the answer lies in the fact that to be a client – facing investment banker, you must be prepared to commit to a great deal of travel. For me, it was a conscious decision to move away from a front office investment banking role to a corporate role because I had a young family and simply wasn't prepared to travel as much. The skill set was readily transferable, but I was able to have a great deal more control over my schedule as the work flow is more predictable. It is still long hours and a full commitment, but less uncertainty around client demands. I'm not sure if that was the case for either Marianne or Ruth, but I am sure there are others who have made the same sorts of choices.

Do you think the investment banks are still as exposed to the risks that prevailed just prior to the GFC?

No, the investment banks today are much better capitalised and have much more liquidity. Are we still fighting the last war? I think yes. The lack of global coordination among regulators could be detrimental to overall competitiveness as the landscape continues to change. Regulatory views around issues like capital, liquidity, leverage, risk and compensation still remain divided.

Banks continue to be embroiled in controversy and litigation – whether it is LIBOR, FX, AML, mis-selling, etc – the reputation of the industry is still tarnished. It will take time and trust, coupled with increased capital, lower leverage, more liquidity and accountability which will move the industry forward.

What things keep you awake at night?

As a CFO, the balance sheet. Whilst there is greater transparency and predictability with income statements, balance sheets that can present unforseen problems. As there is a subjective nature to the valuation of certain illiquid assets, what may go wrong? Where might the value of your assets be overstated as liquidity dries up, the model assumptions are no longer valid, the counterparty fails? Valuation of assets can seem more like art than science!