

Barcelona Treball

# Banking and finances

**Sector Report 2013**

With the collaboration of:  
Daleph

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# The 10 keys to understanding the sector

**In 2011 and 2012 Spanish financial institutions have been faced with merger or acquisition, which may lead to a loss of value, innovation capacity and market share in the short term. However, the European Union's regulatory framework will promote the internationalisation of European banks and enhance their productivity and competitiveness.**

## Description

The banking and finances sector is made up of the set of markets, instruments and institutions that channel resources from economic units with savings to those that need capital. Thus the primary function of the industry is to put players who want to lend or invest funds in touch with those that need capital, and its goals are to encourage saving as a basic source of funds, allocate funds efficiently and act with sufficient flexibility within the regulations to ensure that the financial needs of institutions, markets, companies, individuals and legal entities are satisfactorily met.

## Areas of activity

The banking and finances sector makes a decisive contribution to strengthening the local economy with a direct impact on other economic activities that make up the country's productive fabric since its activity is based primarily on the management of capital in all its aspects. From an institutional standpoint the sector can be divided into four areas of activity: financial entities and instruments providing credit, investment firms, broker-dealers and dealers, insurance carriers and pension fund managers and the financial departments of companies in any sector of the economy. The first three comprise the activities of institutions specialising in brokerage between savers and investors, while the latter encompasses the activities carried out by companies through their financial management departments (drawing up management information, monitoring company assets and obtaining financing).

## Trends

Transparency in financial operations, increasing quality in customer service, streamlining branches, multichannel operations, the expansion of Spanish banks into other European markets, the internal training of sector employees, corporate social responsibility and the rise of ethical banking will be among the trends that will shape the development and growth of the sector in forthcoming years.

## Economic importance

In 2010, 17,5% of Spanish companies in the sector were in Catalonia and the financial system accounted for around 4,5% of Catalan GDP. The evolution of the number of financial sector companies in Catalonia and Spain over the period 2008-2012 was very similar: moderate growth about 3% and 5% respectively.

## Employment

Employment in banking and finances is concentrated in financial departments since these include all types of enterprises and organisations. Of the 70.000 companies that are part of the financial system in Spain, 93% operate in

financial services ancillary activities. In 2011 the total number of people employed in the Spanish financial system was 450.500 while in Catalonia the figure was 64.700 (14,3% of Spain). In general, the trend in employment (between 2010 and 2011) has been negative, especially in Catalonia. In Spain, employment has dropped by 3%, 20% in Catalonia.

### Professional profiles most in demand

The most sought after professionals are those who have a degree in business management and administration, such as Business Administration and Economics, along with professional experience in the sector and a master's degree or specialisation courses. Skills in risk analysis and budgetary control are currently very important for getting a job in the industry as companies and financial institutions are making great efforts to contain costs and minimise the risks of their investments, and hence professionals with thorough knowledge in these areas are the most in demand. Also crucial for finding work in the sector are fluent English and advanced knowledge of management software and Office applications.

### Occupations most in demand

The occupations most in demand and with the highest qualifications include those in risk control and analysis and of deviations, for example risk analyst or auditor specialised in finance. Less qualified posts that are most in demand are in cash control such as collections manager.

### Future scenarios

The complexity of the international financial crisis which began in 2008 and the weakening in lockstep of the real economy in many countries have placed banking systems in a complex and unique situation. Spanish banks, which until 2009 had weathered the difficulties comparatively better than other neighbouring banking systems, have been faced in 2011 and 2012 with merger or acquisition processes (from 45 to 11 non-profit finance corporations<sup>1</sup>). This may lead to a loss of value, innovation capacity and market share in the short term. However, the European Union's regulatory framework will promote the internationalisation of European banks and enhance their productivity and competitiveness.

### Weaknesses

The Spanish financial system is highly dependent on European monetary policy and is weak in two specific areas: high exposure to the construction industry and funding and liquidity requirements. In addition, there is a high level of non-performing loans no linked to the construction industry; the overall loan portfolio is increasingly affected by the general increases in return doubtful loans.

### Opportunities

The anticipated benefit of banks mergers at a medium and long term is a significant increase in business volume and therefore a concentration of the activity. The restructuring of the Spanish financial system, which began with the creation of the FROB (Fund for Orderly Bank Restructuring), have reduced, until June 2012, to 34 non profit finance corporations in Spain. In addition, mergers have direct implications in terms of access to capital markets, economies of scale, improved efficiency and increased productivity. In general, the process of bank restructuring will ensure that banking institutions are more viable and less dependent on public funds.

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<sup>1</sup> Nonprofit financial organizations that invest its benefits to social projects: Cajas de ahorros.



# 01 Introduction to the sector

The various players that are part of an economic system (companies, legal entities and individuals) perform activities and make decisions about production, purchasing, saving and consuming that sometimes do not match the availability of the financial resources needed to carry them out. These players and activities constitute the banking and finances sector.

The availability of financial resources is based on exchanges between players who are savers that have capital and act as lenders, and players who are investors and use these savings to invest in activities that subsequently generate wealth. In this exchange of capital, which can take place in a number of ways, there may be discrepancies between savers and investors about systems for compensation, profitability or the security of the loan. That is why there are financial intermediaries whose mission is to provide funds to people who want resources according to their needs and at the same time ensure conditions of security and profitability tailored to the requirements of savers.

These financial intermediaries can be divided into three distinct fields of activity: credit, made up of credit institutions, which takes care of bank intermediation, securities, consisting of securities firms and collective investment institutions trading on stock exchanges, and insurance, where insurance carriers and investment funds provide risk coverage.

Within this framework, financial intermediaries together with the markets in which exchanges of financial assets are carried out (financial markets) constitute what is known as the financial system. Therefore the financial system in any country consists of the set of markets, instruments and institutions that channel resources from economic units with savings to those that need capital. In other words, the financial system's primary function is simply to put players who want to lend or invest funds in touch with those need capital. Thus the objectives of the financial system should be to:

- Encourage saving as a basic source of funds.
- Allocate funds efficiently.
- Act with sufficient flexibility within the regulations to ensure that the financial needs of institutions, markets, companies, individuals and legal entities are satisfactorily met.

Moreover, the banking and finances sector also includes those financial activities (accounting, cash flows, provision of credit, funds and/or means of payment, etc.) which are required for the performance of the functions of a company in any sector of the economy, and are usually carried out by a company's financial department. This department, which manages capital and assets, is very directly linked to the financial system and hence needs to know how the latter works and the regulations that govern it.

# 02

## Main areas of activity

As noted in the introduction to the sector, banking and finances consists of a set of financial institutions, intermediaries and markets that manage savings and channel them towards investors. From an institutional standpoint the sector can be divided into four distinct areas of activity: financial entities and instruments providing credit, investment firms, broker-dealers and dealers, insurance carriers and pension fund managers and the financial departments of companies in any sector of the economy.

### Financial entities and instruments providing credit

Credit institutions are the set of institutions that broker between lenders and borrowers in the economy and they account for a significant volume of financial activities in Spain as they manage large quantities of assets. There are two types of credit institutions: the official ones which conduct public sector financial activities and private ones that operate in the private sector.

Official credit institutions are the Bank of Spain, which in addition to carrying out supervision and control functions also helps to map out the government's economic policies, and the Official Credit Institute (ICO), which directs and coordinates official lending and is the government's funding agency.

Private credit institutions are deposit institutions (banks, savings banks and credit unions), which differ in their corporate purpose, and credit institutions, which operate in financing and factoring, leasing, mortgage loans, issuing and managing credit cards and refinancing.

### Investment firms, broker-dealers and dealers

The main function of these players is brokerage, which includes managing portfolios of financial assets, brokering financial products and advising clients about asset products and investments.

Thus investment firms, broker-dealers and dealers are financial intermediaries that operate on the stock exchange or securities market (market for trading financial assets such as stocks, bonds, etc.). They can be classified into three groups: broker-dealers, which are institutions that can trade for their own account and for the account of their clients, dealers, which can only trade for their clients, and asset management companies, which manage and administer securities portfolios for their clients and can also provide financial advice.

### Insurance carriers and pension fund managers

Insurance carriers and pension fund managers control and use the financial resources that their customers deposit with them to cover their future needs, e.g. claims processing and adjustment, fund trading and monitoring, managing pension funds and acting as fund depositories.

Insurance provides people and companies with the protection they need against future events and uncertainties that may change their lives or activities. Insurance is provided by private, mutual or cooperative entities.

Pension fund managers are institutions that manage private pensions, which are a financial product that provides income or capital on retirement when a person ceases to receive their professional income.

### Financial departments

A company's financial department is responsible for taking decisions regarding the most appropriate investments, establishing what the company's financial needs are, analysing funding sources and mapping out the company's profit allocation policies. Thus a financial department in any economic sector encompasses the functions and jobs that handle the company's capital, funds and economic and financial operations. In particular, it performs financial accounting and analytics, management of company assets through controlling cash flows and monitoring financial risk indicators, investment analysis, obtaining the necessary funding for the company to make the right investments, as well as other aspects of managing taxation, labour issues, business risks, etc.

# 03

## Sector trends

**Customer focus and improving service quality will be crucial in maintaining the high levels of efficiency that are increasingly necessary in banking. It is essential to change the customer/bank relationship traditionally based on the bank being in a position of power vis-à-vis its clientele.**

### **Transparency, customer focus and enhanced service quality**

The person or legal entity that deposits their savings in an entity, i.e. the end-customer, is increasingly well informed and more financially literate. There is also a wide and varied range of financial products that are poorly differentiated among the target audience. Both factors mean that customers are more volatile and harder to retain while banks are now struggling to provide bespoke products or ones tailored to the customer's needs (what is called cross-selling). This means that one of the key factors for banking success will be to offer customers what they need and when they need it. This entails having thorough knowledge of those needs and being able to foresee requirements where possible. Hence customer focus and enhancing service quality will be crucial in maintaining the high levels of efficiency that are increasingly necessary in banking. It is essential to change the customer/bank relationship traditionally based on the bank being in a position of power vis-à-vis its clientele.

Furthermore, customer care needs to become more personal and transparent. The recent financial crisis in the U.S. that later on spread to Europe has generated distrust in the banking system and regaining that confidence is critical in getting the sector back on track towards stability and growth. This entails giving the customer not only general information so they can learn about and understand the product but also everything else they may wish to look at concerning the latter and the entity. It is essential to build new relationships based on transparency and compliance with the rules governing the operation of the financial system.

### **Savings bank legislation and financial system configuration**

Savings banks have played a vital role in the financial system both economically by encouraging saving and also socially by promoting the social and financial inclusion of the most disadvantaged. Over recent decades savings banks, which were initially set up as local entities, have expanded across the whole of the country. The financial crisis that began in 2008 and the subsequent Spanish economic crisis has placed them in an adverse environment which has resulted in lower levels of activity, cutting margins and difficulties in obtaining funding in wholesale markets, all of which is mainly caused by the crisis in the property sector. These events have led to the need to restructure the system of savings banks, which has resulted in a substantial reduction in the number of entities to the benefit of the sector and greater solidity in the future.

Thus in 2010 savings banks began a restructuring process which will last until 2012 (Royal Decree Act 11/2010, of 9 July, concerning governing bodies and other legal aspects of savings banks) and which among other organisational aspects has resulted in the merger of savings banks to become, in some cases, banks (comprehensive protection systems or CPS) and trade in financial markets, thus enabling the entry of private investors to raise capital. The outcome is that the Spanish financial system will have a few but large financial institutions, banks and big savings banks, the result of the mergers and/or acquisitions. In fact, according to the IBM study *Spanish Banking in 2012: opportunities and challenges for financial institutions*, over 75% of the entities say they will be affected by consolidation into larger entities, which will result in organisations with greater critical mass and turnover which are better capitalised and have greater economies of scale.

### Rationalisation of branches and multichannel services

The restructuring of the Spanish financial system, the savings bank legislation mentioned above, the greater financial knowledge of end-consumers, the increase in the number of households with Internet connections and the proliferation of secure transaction systems and services provided over the Internet have led to the disappearance of physical branches and an increase in virtual ones offering the same services. Thus the customer of the future will be ready to buy financial products using any distribution channel available to them and this means that efficient technological systems which provide a quick and efficient response to customer requirements will have to be put in place. The direct relationship with the customer will focus on more qualitative and advisory aspects rather than on operational factors that could be implemented through other channels.

This will involve the transformation of the functions of some traditional banking occupations such as bank clerk, who will have to bring into play other sales or customer service skills or have the ability to put forward solutions to customer needs. In fact, the rational branch model will be to increase efficiency by cutting branch numbers and size, incorporating or adapting existing staff to become specialists, reducing the frequency of customer visits to provide more personalised service and shifting the operational part to online channels and ATMs.

Similarly, the intensive use of new information and communication technology (ICT) in the sector over recent years, particularly the Internet and its associated tools, has resulted in process integration. This has made it possible to build management areas into financial system enterprises and interconnect them to facilitate their administration and improve their performance. The process has placed special emphasis on the integration of procedures, which has enabled increased efficiency in business management and streamlining of marketing, sales and customer service processes.

According to the IBM study *Spanish Banking in 2012: opportunities and challenges for financial institutions*, cutting costs and improving efficiency will be key for financial institutions, which identify opportunities for cuts in branches (32% of entities), in central services (28%) and in ICT implementation processes (20%).

### Mobile banking: a new business model for the financial sector

The advent of Smart phones with high speed internet connection, especially between 2011 and 2012 involved a big change for all economic sectors, including financial. Currently, many banks are developing applications to offer services through mobile devices. Smart phones offer many advantages to buyers/users: are very easy to use, can perform operations, can monitor transactions, and can confirm payments or money transfers saving time.

As was concluded in Mobile Banking BBVA ceremony held on Innovation Center on April 19, 2012, banks should be aware that mobile banking can generate many opportunities for the sector: offer services with a high level of comfort, customization and innovation; exploit new sources of non-traditional incomes in digital commerce (which banks or financial institutions can make powerful commercial and payment proposals); and transform markets with new business models (for example, low cost banking models for markets in developing<sup>2</sup> countries).

In this sense, mobile banking is seen as an opportunity for innovation in the sector and as a strategy to financial institutions which may differentiate from the other through customer loyalty.

### Expansion plans

Spain's entry into the European Union boosted the expansion of Spanish banks in other EU countries. Expansion has been adopted as a strategy so that highly localised entities do not stagnate in the European financial landscape. Thus the internationalisation of business, especially in the larger Catalan and Spanish banks and savings banks, has significantly reduced transaction costs produced by operating in different markets (Asia, Europe, the US, etc.) and financial products have become international.

### The rising civic banking and corporate social responsibility

Civic banking has been consolidated over recent years. The financial crisis has led to some distrust of traditional banks, which has led customers to become interested in aspects other than just the return on their savings. Civic banking, which reports on the profit obtained with the money deposited in the entity and makes it possible to choose the social, cultural or scientific projects for which it is to be used, has become a way of banking that is tailored to the new philosophy of the sustainable economy.

Hence financial institutions need to become less wary and give information that is requested to their customers so as to increase levels of trust. In addition, social awareness about the use of savings and the widespread rejection of bank speculation strategies will mean that entities will have to invest in sustainable projects that create real value and wealth.

Civic banking and corporate social responsibility have become a means of creating value, investor confidence and business excellence.

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<sup>2</sup> In Kenya has launched a mobile application (M-Pesa) to make payments with mobile phones, send and receive money between users or withdraw cash without visiting the bank. This application has started to be used in Uganda, Tanzania, Rwanda and Afghanistan.

### Training trends and talent management

The economic situation has ramped up skills requirements for people who are hired in the sector. People need to know about business management and new technology and also have skills involving flexibility and adaptation to change. Furthermore, the internal training that companies offer their employees is also more specific, less general and focused on achieving profit in the short to medium term. Here the sector is committed to e-learning geared towards improving the productivity and competitiveness of staff.

According to the IBM study *Spanish Banking in 2012: opportunities and challenges for financial institutions*, about 70% of managers in financial companies recognise that they will need to upgrade their employees' skills and knowledge in the post-crisis scenario. Financial institutions are implementing significant change management which includes running training schemes. In fact, according to the latest annual *Training Ratios Report (2009)* drawn up by GREF (Financial Institution Training Managers Group), average spending per employee has fallen by 30% since 2007 but hours of training per person only by 5%. The report also states that online technologies are making it possible to maintain training hours and even in many cases increase them with budgets that are lower than in previous years. As a result online training has risen from 17% of total training in 2004 to 51.5% in 2009.

Specifically, 67% of employees in large companies have done some kind of internal training compared to 90% in financial sector entities and e-learning is used in 27% of total training hours in large companies compared to 51.5% in financial institutions.

# 04 The sector in figures

## Economic data

- The total assets of Spanish financial and monetary institutions in 2011 accounted to €4.001 million, representing a value increase of 8.8% (€3.676 million in 2010)<sup>3</sup>.
- 64,58% of Spanish financial institutions assets are loans and credits.
- During 2011 and 2012 there was the major restructuring of the Spanish banking and financial system, that has reduced the number of non profit financial institutions. Thus, during this period has reduced from 45 to 11 (until June 2012). These savings institutions have transferred their activities to commercial banks; the problem of the high fragmentation of the sector has been solved<sup>4</sup>.
- The volume of credits granted by the Spanish financial system has been reduced, from March 2012, at 1% over the first quarter of 2011 (in absolute terms has reduced from €1.798.156 million to €1.781.082 million)<sup>5</sup>.
- The total alive credit in deposit institutions in Catalonia at the end of the first quarter of 2012 has decreased 2,6% YoY, while the assigned to the private sector fell more sharply: up 3,2% YoY<sup>6</sup>.
- According to the Statistical Bulletin of the Spain Bank, the volume of deposits attracted by the Spanish financial system has increased by 0,54% during the first quarter of 2012 compared to the first quarter of 2011. However, data relating to the year (comparing data from March 2012 to March 2011) indicate that the volume of deposits has contracted (-3,8%).
- The total volume of deposits in Catalonia at the end of the first quarter of 2012 is 5,5% lower than in 2011. The decrease in total deposits and in the private sector in 2012 is slightly moderate than the one in annual terms was recorded at the end of 2011 (-4,5% and -5,8%, respectively)<sup>7</sup>.
- As for the default level of the sector, the number of insolvencies is, in August 2012, about 10,51%, which represents an increase compared to August 2011 (6,93%), more than 3 percentage points. The default rate has increased more than 10 times since the beginning of the financial system crisis (2007-08).
- 70.489 companies conformed the financial system in Spain in 2011<sup>8</sup> (in 2010 were 69.670 companies). 93% belong to the economic group of ancillary activities for financial services and insurance (which includes ancillary activities for financial services, except insurance and pension funds, ancillary activities for insurance and pension funds and fund management activities). 5% belong to financial services (monetary intermediation, holding activities, mutual funds, and other financial services, except insurance and pension funds). 1% belongs to insurance and pension funds.
- Currently Catalonia has: 5 non profit financial organization (Cajas de ahorro), 4 credit unions and rural non profit financial organization, 7 banks and 2 foreign banks (General Direction for Spain in Catalonia)<sup>9</sup>.
- Data relating to the offices of Spanish financial system show that there has been a reduction of over 2.200 offices between 2011 and 2012. In 2011 there were 41.980 offices, in 2012 there are 39.616 (-0,6%).
- Today, in Catalonia there are 6.630 bank offices (16,7% of all offices in Spain). This is the Region with more offices, however, also in Catalonia, the trend was the closure of offices (-0,66% compared to 2011).
- In 2012, in Catalonia, there are 12.346 companies in the banking and finances sector (17,5% of Spain sector companies). Firms auxiliary to financial services and insurance (11.162 companies) represent 90% of all companies in the financial system<sup>10</sup>.

<sup>3</sup> National Institute of Statistics (INE) from Statistical Bulletin of the Bank of Spain data.

<sup>4</sup> Bank rescue in Financial Crisis in Europe: ideas about the Spanish case. Ideas Foundation. 2012.

<sup>5</sup> Indicators of Spanish financial system: evolutionary details (Statistical Bulletin of the Bank of Spain). Council of Finance and Public Administration. General Direction of Financial Policy of the Government of Andalusia.

<sup>6</sup> General Direction for Financial, Insurance and Treasury of the Bank of Spain.

<sup>7</sup> Indicators of Spanish financial system: evolutionary details (Statistical Bulletin of the Bank of Spain). Council of Finance and Public Administration. General Direction of Financial Policy of the Government of Andalusia

<sup>8</sup> INE.

<sup>9</sup> Department of Economics and Knowledge in July 2012.

<sup>10</sup> INE.

- In 2010 the financial system accounted for around 4,5% of Catalan GDP.
- The number of mortgages given to June 2011 was down by approximately 40% compared to June 2010. This figure is even more significant considering that new mortgages in 2010 were 10% lower than in 2009.
- Financial intermediation activities account for 7,5% of gross value added generated by the services sector. This percentage has remained stable over the last decade.
- According to the Association of Institutions for Collective Investment and Pension Funds (INVERCO) from the Bank of Spain, the household financial savings in the third quarter of 2011 was €1,71 billion, which represents a decrease of 4,2% over the previous quarter and a decrease of 3% since December 2010. 45% of these savings correspond to bank deposits, 12% to investments in unquoted shares, 7,7% to life insurance, 7% to investment funds, and 5,2% to pension funds.
- Barcelona has 1.088 social security contribution centres in the banking and finances sector, which is 1,5% of the total. Ancillary activities for insurance and pension funds are the most numerous accounting for 4 in every 10 contribution centres in the sector, followed by insurance and financial intermediation (18,6% and 8,5% respectively), according to Social Security Contribution Centre data from Barcelona City Council's Statistics Department.
- Barcelona has 56,5% of contribution centres in the Barcelona Metropolitan Region and 35,5% of those in Catalonia, which have 1.927 and 3.035 contribution centres in the sector respectively. In the three geographical areas the sector accounts for less than 1,5% of the total number of centres.
- In terms of venture capital investment there are 9 venture capital entity management companies and 46 venture capital entities in Catalonia.

### Employment data

- The number of people employed in the Spanish financial system in 2011 was 450,500 (3% less compared to 2010). 62% of employment is in financial services companies, 28,6% in ancillary activities for insurance companies, reinsurance and pension funds, and 9,5% in auxiliary financial services and insurance. These values contrast with the distribution of the number of companies (93% of companies are ancillary activities). In this sense, it should be stressed that 71% of companies with more than 1.000 employees and 95% with more than 5.000 are financial services companies.
- In 2012, in Spain, 96,4% of companies in the financial system have 5 or fewer employees, in Catalonia, 88%<sup>11</sup>.
- The number of people employed in the financial sector has fallen steadily since the beginning of the financial crisis: 2008 (507.600 people employed), 2009 (474.100), 2010 (463.400), to 450.50 in 2011. This trend has led to a reduction of 57,100 jobs (in absolute terms; cumulative change of -11%).
- In 2011, in Catalonia, there were 64,700 people employed in banking and finances. This value represents a significant reduction in the number of jobs compared to 2010 (16.300 less, which represent a reduction of 20%). In relation to 2008, Catalonia has 21,000 fewer jobs (cumulative change of -24%).
- The percentage of people employed in banking and finances sector represented in Catalonia, in 2011, 14,3% of people employed in Spain (2010 people employed in the sector accounted for 17%).
- It is a sector with a very equal distribution of employment by sex. In Spain, 53% are men and 47% women; in Catalonia 54% are men and 44% women.
- The banking and finances sector has 41.546 salaried employees in Barcelona, which is 4,6% of those working in the city (data from the fourth quarter of 2009), according to figures for Social Security General System affiliation from Barcelona City Council's Statistics Department.
- Monetary intermediation provides the most jobs with 6 out of every 10 employees in the sector (60,4%). The next biggest area by the number of people employed is insurance which accounts for about a quarter of employment in the sector (23,5%).
- The Barcelona Metropolitan Region and Catalonia have 56.226 and 70.154 salaried employees in the banking and finances sectors respectively, accounting for about 3% of total Social Security General System affiliation in both areas.

Sources: Latest data available. INE; Idescat; *Spanish Banking in 2012: opportunities and challenges for financial institutions*, drawn up by IBM Financial Services Sector; Annual Report 2010 of the Guarantee Fund for deposits in banks; ICO; Department of Economy and Knowledge in the Government of Catalonia; CECA; ECB; BOS; Statistical Bulletin of the Bank of Spain; Bank rescue in Financial Crisis in Europe: ideas about

<sup>11</sup> INE.

the Spanish case. Ideas Foundation. 2012; Indicators of Spanish financial system: evolutionary details (Statistical Bulletin of the Bank of Spain). Council of Finance and Public Administration. General Direction of Financial Policy of the Government of Andalusia; General Direction for Financial, Insurance and Treasury of the Bank of Spain; and Department of Economics and Knowledge in July 2012.

# 05 Professional profiles most in demand

## Most highly qualified professional profiles

### Training profile

The most highly qualified professional profiles in the sector have at least a university degree in business administration, economics or law and have done supplementary master's or postgraduate specialisation courses depending on the specific area in the industry in which they work.

Knowledge and skills required will differ depending on the type of financial institution. For example, management profiles should have a master's degree in financial management; people in accounting need thorough knowledge of sales management accounting, issuing invoices, supplier management and using tools such as Contaplus; banking and insurance professionals should specialise in financial services, cash flow management, portfolio management and electronic banking; people working in the tax field need to be experts in tax advice in order to be able to understand the Spanish tax system; and people in auditing require specific master's or postgraduate training in this field to research and review a company's financial statements.

Moreover, in addition to basic training and specialisation courses for each of the areas, people should have advanced knowledge in the use of Office applications for information management and documentation and be fluent in more than one language, preferably English.

The professionals most in demand and with the highest qualifications include those with knowledge of cost control, risk analysis, budget tracking and analysis of deviations, as entities are implementing saving and efficiency policies. They include, for example, risk analyst or auditor specialized in finance.

### Skills profile

The most highly qualified professionals analyse the economic viability of institutions and financial viability of investments to maintain an adequate and balanced structure for efficiency and profitability levels, analyse financial needs and suggest strategies to achieve financing. They also work in cash management, drawing up, monitoring and implementing budgets and preparing financial statements and tax returns. Skills are required in analytical and conceptual ability, decision-making and providing solutions, communication (conveying and receiving strategic information), customer focus and target-based working.

Moreover, these professionals have people under them and it is therefore essential that they have leadership and personnel motivation skills plus the ability to plan and organise their own work and that of their team.

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#### Examples of jobs in the Porta22 directory

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  - ✓ [Auditor specialised in finance](#)
  - ✓ [Product development technician](#)
  - ✓ [Floor manager](#)
  - ✓ [Financial adviser](#)
  - ✓ [Tax consultant](#)
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## Less qualified professional profiles

### Training profile

The banking and finances sector is highly knowledge intensive, especially in the areas of activity associated with financial entities. Thus people with lower qualifications are more likely to be found in the financial departments of companies where they carry out administrative and sales support tasks.

These professionals must have done at least one intermediate or higher vocational training course in management and administration, for example intermediate administrative management, higher business administration and finance or a higher secretarial course. In addition they also need to have advanced knowledge in the use of Office applications for information management and documentation, as their duties include entering data in computer terminals, file management using conventional or computer media and keeping accounting records. It is also advantageous to have done a specialisation course, for example in customer care, basic accounting, payroll, billing, etc.

It is desirable to have a basic level of English language skills, essentially the basic terminology used in the sector. This is because these people will be required to use management software and procedures manuals that are usually in English.

### Skills profile

Lower qualified workers will perform their tasks under the supervision and control of a manager and will frequently communicate with customers or suppliers. This means that organisations need customer-focused professionals who can exchange operational information with players inside or outside the company.

It is also essential that these professionals can plan and organise their own work and are able to adapt to change. In addition, people who work more closely with customers need to have empathy and emotional intelligence to identify the latter's needs.

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#### Examples of jobs in the Porta22 directory

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- ✓ [Stock market trader](#)
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  - ✓ [Collections manager](#)
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# 06

## Future scenarios

### Weaknesses

- The effects of the financial crisis have had an adverse effect on the image of financial institutions and have led to end-consumers no longer trusting the banks and financial system as they did before.
- The Spanish financial system has suffered the consequences of the global financial crisis as well as the property crisis. Spanish banking has weaknesses in two areas: high exposure to the construction sector and financing and liquidity needs (reliance on wholesale funding).
- The perception or belief by Europe of the risk entailed by Spain increasing its debt through central government and businesses. This perceived country risk means that any request for borrowing is seen as a weakness of the Spanish banking system.
- The Spanish financial system is subject to Eurozone monetary policies that affect each European Union country differently and are agreed at the EU level. This means that decisions may suit the Union as a whole but are not necessarily best for Spain.
- The use of new technologies and the resulting automation of processes and transmission of information to the financial system may lead to the disappearance of some jobs, given that banks are moving towards using new technology to carry out operational tasks performed by less qualified people. Therefore many jobs may disappear because their functions are being carried out by IT applications that can be used by the end-customer. In addition, the savings bank mergers that have taken place over recent months, and in particular the reduction in the number of their branches, are highly likely to lead to job cuts in the sector.
- Financial departments in companies and organisations are the "ragbag" for company management functions. This diversity of functions makes it difficult for workers to specialise in a particular field.

### Threats

- Lack of liquidity and credit risk will be the biggest threats facing the banking and finances sector in forthcoming years. The main problem is loss of confidence in financial markets and restoring it will entail short-term efforts that will be rewarded in the long term.
- The poor regulation of the financial system and the weakening of the control mechanisms put in place by financial institutions may put the system at risk again if adequate and appropriate regulatory measures are not taken.
- The still excessive over sizing of the sector (due to loan to construction sector), makes that efforts to end with the high leverage have been very discreet. The volume and size of the Spanish banks balances have to be adjusting again.
- There is a high level of non-performing loans no linked to the construction sector (the overall loan portfolio is increasingly affected by the general increases in return doubtful loans). Thus, the closing data for the first quarter of 2012 indicate that the default in the industrial sector is 6,10% and 7,01% in the primary sector (in construction sector is 20,09%).
- The debt portfolio is highly punished because the lowering credit rating of Spanish Public Administration; this situation negatively affects the financing needs of the banking and finances sector and the overall Spanish economy.
- The merger of entities may entail a loss of value, innovation capacity, market share and distinguishing marks in the short-term. In fact, according to the IBM study *Spanish Banking in 2012: opportunities and challenges for financial institutions*, 46% of financial institutions consider that the loss of market position is a clear risk during this process.
- The personnel costs of financial institutions have remained stable over recent years which means that sector restructuring has not impacted on job creation and that they have tended to outsource services. In fact, it is estimated that there is a 30% surplus in savings bank branches, which could lead to the loss of approximately 30.000 jobs.

- Innovation is a key factor for the development of the sector. This involves developing new business management processes which should be based, *inter alia*, on a rational analysis of available data provided by management systems. A lack of knowledge on the part of banking and finances professionals about management systems based on ICT may hold back the sector's development.
- The high capital requirements requested by the European Banking Authority (the "core capital" of financial institutions should be 9%), will continue at least until 2014, which could mean additional problems for credit flow.

### Strengths

- Spanish banks are well placed in relation to European banks in terms of cost control processes and efficiency ratios. This has enabled Spanish financial institutions to withstand sector fluctuations arising from the global financial crisis.
- In addition to the trends that promote one or another activity in the financial system and the development of certain areas over others, the intermediary role performed by financial sector players is essential for the functioning of our economies and by extension of our societies. Consequently the demise of financial activity is unlikely and in fact quite the reverse should be the case, as one of its main strengths is the guarantee of its continuity and, possibly, its continued expansion.
- The tasks that are specific to the financial departments of companies are based on consolidated knowledge. In other words, the learning that is the groundwork for the performance of these tasks "does not expire" but rather has a methodological stability which means it can be used throughout the employee's working life and reinforced by further training and skills recycling.
- The versatility of jobs in finance departments makes them applicable outside the company's specific business sector, which is a great advantage for sector workers as it affords them job opportunities in addition to the economic trends that may favour one business sector or another.
- The main Spanish banks (Santander, BBVA and CaixaBank) have passed the tests of the European Banking Authority (EBA) that bound to get a level of 'core tier 1' of 9%. These entities will not require additional capital.

### Opportunities

- The expected medium and long-term benefits of a merger process are a significant increase in the volume of the entity and growth in new geographical areas. The restructuring of the Spanish financial system, which began with the creation of the FROB (Fund for Orderly Bank Restructuring), have reduced, until June 2012, to 34 non profit finance corporations in Spain. Furthermore, mergers have direct implications in terms of access to capital markets, economies of scale, improved efficiency and increased productivity. In general, the process of bank restructuring will ensure that banking institutions are more viable and less dependent on public funds.
- The Fund for Orderly Bank Restructuring (FROB) is a support institution of effective management to financial institutions and banking problems. In addition, the approval, in August 2012, of the Royal Decree of Restructuring and Orderly Resolution of Credit Institutions, gives more prominence to the FROB, as becomes manager of the restructuring and resolution of entities. This institution will regulate the process of liquidation of banks that are not viable.
- Since the beginning of the crisis (2008), the European Union have approved two management mechanisms to ensure the stability of the euro area: the European Financial Stability Facility (EFSF), created in May 2010; and the European Stability Mechanism (ESM), approved in 2011. This second mechanism opens the way for the possible need to recapitalize the banking and finances sector in Spain. In addition, in the last European Council, in June 2012, has been approved the mechanism for direct recapitalization of banks by European funds without State permission. However, this mechanism cannot be applied (it is valid) until the creation of a single banking supervisor, in which will participate the European Central Bank (ECB). It is expected that the creation of the single banking supervisor will not occur in 2014. In this sense, the needs of short-term financing must be run through mechanisms that involve the participation of the state. This new scenario opens up good prospects for the sector, from the point of view of the confidence of the system itself.
- The automation of information about the risks associated with each transaction with each customer in each

activity or line of business will increase financial margins and operational risks that are associated with the marketing of financial products. This automation is also an opportunity to improve efficiency and reduce costs involved in the activity.

- Entities that have invested in CRM (Customer Relationship Management) systems are those that have best coped with the global economic crisis. Investment in these systems may provide an opportunity to restore confidence in financial institutions and streamline processes.
- The common policy framework established by the European Union, successive banking directives and the freedom of capital movements within the EU promotes the internationalisation of European banks. Internationalisation also involves improving the competitiveness of financial institutions.
- The public's increased financial literacy is an opportunity for the development of new products and services associated with a rise in demand generated by the increase in the number of people involved in the financial system.
- The new banking directives about risk control at financial institutions will increase the stability of the sector. To comply with them, entities need to put in place mechanisms for monitoring and control of their processes, which may facilitate the entry into the sector of professional profiles related to risk control such as risk analyst or auditor specialising in finance.
- The consolidation of ethical banking in Spain represents a new way of financing projects and initiatives with social commitment. In 2011, ethical banking has increased its deposits by 54%, according to the barometer of ethical finance conducted by the FETS (Ethical and Solidarity Funding). Similarly, loans to projects and initiatives increased by 24%.

# 07

## Useful links

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### International organisations

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World Bank

<http://www.worldbank.org>

International Monetary Fund

<http://www.imf.org/external/index.htm>

Economic and Social Council of the United Nations

<http://www.un.org/en/ecosoc/>

European Central Bank

<http://www.ecb.int/home/html/lingua.en.html>

European Investment Bank

<http://www.eib.org/>

Organisation for Economic Cooperation and Development

<http://www.oecd.org>

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### Spanish organisations

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Bank of Spain

<http://www.bde.es>

Department of Economics and Knowledge in the Generalitat of Catalonia

<http://www.gencat.cat/economia>

Ministry of Economy and Competitiveness

<http://www.mineco.gob.es/portal/site/mineco/>

Ministry of Finances and Public Administration

<http://www.meh.es>

Official Credit Institute

<http://www.ico.es>

Spanish Banking Association

<http://www.aebanca.es>

Spanish Confederation of Savings Banks

<http://www.ceca.es/es/home.htm>

Spanish Union of Insurance and Reinsurance Entities

<http://www.unespa.es>

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### International events (fairs, conferences, etc.)

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World Economic Forum

<http://www.weforum.org/en/index.htm>

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International Mining Investors Forum

<http://brnoticias.info/2012/08/foro-de-inversores-de-mineria-internacional-discover-mongolia-tendra-lugar-en-ulaanbaatar-mongolia-durante-el-30-y-31-de-agosto-de-2012-2/>

World Microfinance Forum

<http://www.foromicrofinanzas.com/es/redes-internacionales>

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**Spanish events (fairs, conferences, etc.)**

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Forinvest

<http://forinvest.feriavalencia.com>

Healthcare Investment Forum

<http://w42.bcn.cat/web/es/noticies-i-premsa/noticies/actives/7o-Foro-de-Inversion-Healthcare-una-oportunidad-de-conseguir-financiacion-para-las-empresas-y-emprendedores-del-sector-de-la-salud.jsp>

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### Spanish themed portals

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Venture Capital in Spain Barometer

<http://www.webcapitalriesgo.com>

Official Futures and Financial Options Market (MEFF)

<http://www.meff.com>

European Finance Centre, Barcelona

[http://www.barcelonacentrefinancer.com/home\\_en.html](http://www.barcelonacentrefinancer.com/home_en.html)

Catalan Institute of Finance

<http://www.bcnempren.com/>

Finance for All

<http://finanzasparatodos.es/>

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