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Ownership Structure, Banks and the Role of Stakeholders: The Spanish Case

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1. Introduction

There is an important debate going on in terms of good corporate governance practices. The different works of La Porta et al. (1998a and 1998b), Shleifer and Vishny (1997) or Tirole (2001) have helped to open a wide discussion about the advantages and disadvantages of the different economic and legal systems at the time of generating corporate value. We want to mention here two issues. First, while most of the American studies on corporate governance have focused on the possible conflicts between managers and small shareholders, the role of large shareholders has proved to be crucial in other scenarios. The former approach is consistent with an idea of corporate governance that consists on how to assure investors that they will get their returns on investments. Shleifer and Vishny (1997) summarize well this approach in an agency problem and it is, probably, an appropriate description of what happens in American corporations, where widespread ownership by individuals is the rule. But many other countries present a completely different picture. In particular, the recent study edited by Becht and Mayer (2001) analyzes the ownership structure of several European countries. Collecting, for the first time, detailed and comparable information of the control distribution of European listed firms, the study shows that in most of these countries, ownership is rather concentrated and large shareholders play a control role. In such scenario, it seems more accurate to focus on the conflicts between small shareholders and either large shareholders, or a coalition of the large shareholders and the managerial team.

We would also like to mention here a second issue, the debate concerning what should be the goal pursued by those good governance practices. While most people invoke the maximization of shareholder value as the ultimate corporate goal, there are also some voices claiming for the role of stakeholders, Tirole (2001). That is, they think that a firm's objective function should incorporate not only the owners of the legal titles but also all those players involved in the process of decision taking, the allocation of control rights and the creation of value such as suppliers, employees, institutional investors or the administration. Tirole goes further and defines Corporate Governance as the design of institutions that induce managers to take into consideration the interest of stakeholders.

In the pages that follow we present some features of the Corporate Governance practices in Spain, characterized by a concentrated ownership structure and the participation of some large shareholders as banks, other industrial firms and the state, at least until recent dates. Part of this work came as a result of the European study on ownership mentioned above.

Table 1.1 allows us to overlook the list of the 50 largest non-financial firms in terms of sales by the end of 1998 and it contains several pieces of information. Only 23 of them are listed companies and 21 out of the 50 are foreign-owned companies, most of them not listed in the Spanish Stock market. The top Spanish firms have previously been state-owned companies in strategic sectors (oil, telecommunications, utilities…) until they were privatized in the 1990s. The replacement of the state with private firms, that has been a common practice in many countries, and the implications for corporate governance will be covered also later in the paper. Furthermore, in the case of Spanish-owned companies ten of them were out of the market mechanisms for control. Four of them are not-for-profit enterprises (all in the sector of department stores and retail chains and competing successfully with the French distribution multinationals), two more are still state-owned enterprises in the transportation sector (airline[1] and railway) and, finally, the remaining four were either family-owned or controlled by other firms. Since then, and taking advantage of the economic bonanza, quite a number of medium and large firms previously controlled by individuals or families have gone public, including two of the firms in the previous list.

In terms of the sectors represented in the previous ranking, it is also interesting to mention that twelve of the 50 largest companies are related to car-manufacturing activities, all of them controlled by foreign companies. Spain is the fifth largest car-manufacturer in the world even though there is no national companies. Nevertheless, there is a strong presence of first-tier suppliers, of small or medium size and most of them not listed in the stock market. Some of the best-ranked suppliers are industrial cooperatives belonging to the Mondragón Cooperative Group and others are family-owned.

[1] Iberia has been privatized in April 2001.

From this brief description, we can say that Spain is an intermediate economy, with an important presence of foreign companies. Most of these companies are listed in their respective countries and do not respond to the Spanish market mechanisms for control, although they are subject to product competition. The top Spanish firms were previously state-owned companies in the strategic sectors (oil, telecommunications, utilities…) and they have evolved to become international firms with large investments and interests outside Spain, especially in South America. Their managerial teams enjoy a lot of control power along with the banks that have replaced the state as shareholders. Surprisingly enough, we find also some large Spanish companies under the form of non-profit organizations competing with public companies. For example, El Corte Inglés, the leader company in the retailing sector, is a foundation and Eroski, the third in the ranking, belongs to the Basque Cooperative Group in Mondragón. The presence of these non-profit firms adds an important issue that we will cover in more detail below, at the time of describing the financial system. As we will see below, half of the financial assets are in the hands of savings banks, which are also non-profit organizations. These alternative solutions are not so well known and should be further understood. They represent organizations that compete successfully with public corporations, raising in this way interesting questions concerning matters of corporate governance.

The structure of the paper is as follows. First, we proceed to study the ownership structure of the Spanish listed firms and its recent developments. The following section will focus on the financial intermediaries in Spain, particularly the role of savings banks that are no public corporations but compete successfully against banks. Finally we will analyze the bank-industry relations, the role of large shareholders and the implications on matters of corporate governance. The paper ends with some final remarks and conclusions.

2. The ownership structure of Spanish listed firms

2.1) The situation in 1996[2] and the comparison with other European countries

[2] This section draws heavily on Crespí and García-Cestona (2000 and 2001).

In the already mentioned book, Becht and Mayer (2001), the ownership arrangements of eight European countries and their comparison with the US are presented. What follows reflects some of the contents of chapter 8, describing the Spanish situation in early 1996. At that time, the Spanish corporate ownership and equity market could be summarized in the following five points:

1.) Small stock market both in terms of the number of listed companies (606) and turnover (10% of GDP). Nevertheless, the depth and importance of the stock market, relative to other financial alternatives, had kept growing year by year and the relative figures compared favorably with the situation in other European countries with the exception of UK.

2.) Overall, there was a **high degree of ownership concentration but it was lower than most European countries**. Figures 2.1 and 2.2 show the corresponding data for Spain. We can see that in terms of direct shareholding the largest owner in 1995 held, on average, 32.13%. We also provide the figures for the concept of voting blocks[3] (i.e., a combination of direct and indirect voting rights in our analysis) and the figure increases to a substantial 40.09 %. Furthermore, the figures show how quickly a potential coalition of large shareholders can reach majority levels when the corresponding figures for other large shareholders are added in. Taking the top four largest shareholders, (C4), if we deal with direct stakes, or the top two, (C2), when we use voting blocks, it becomes a sufficient action to reach the majority line.

3.) With respect to the **type of shareholders**, we found that industrial (non-financial) firms[4] were the main category, followed by families and non-bank financial firms. We distinguished six types of shareholders: families or individuals, banks, financial firms other than banks, state, foreign firms and non-financial firms (or industrial firms). From our results, it seemed as if Spanish banks**,** unlike German banks, no longer played an important

[3] This concept incorporates both direct shareholdings and inderect shareholdings. An extensive explanation and discussion of the concept is provided in Becht and Mayer (2001).
[4] As a simplification, we call this last type "industrial firms", even though some belong to other sectors. Table 8.2 in the book gives a more detailed description of the sample. As it can be seen most of the 193 firms included do indeed belong to the industrial sector.

ownership role. Nevertheless, when banks did participate in a firm, they took substantial stakes in the case of small and medium-large firms. Foreign firms' participation was also directed to gain control. On the other hand, family or individual ownership was not as prevalent as in other countries. Although individual participation averaged 10.93% overall, this figure became less than 3% in the largest decile, where the most important companies were.

4.) Although we lacked the precise information to address properly the issue of groups, our data on direct and indirect stakes suggested that **group voting or voting blocks, as a whole, did not play such a widespread and important role in Spain, unlike what happened in other countries.** Indirect ownership became a device used by companies and individuals to exert voting power beyond their direct ownership shares. In our case the distortion of the relation between voting rights and cash flow rights was relatively weak, only about 4%. Thus, when we compute indirect ownership, the concentration of the largest shareholder averages 8% higher than for direct ownership.

5.) **State ownership still showed at the beginning of 1996** a substantial participation in a number of large Spanish firms, mainly in the historical and natural monopolies (oil, tobacco, energy and telecommunications). After a strong privatization process, such participation has almost disappeared and the state has been replaced by a large number of Spanish retail investors, some large Spanish institutional investors (banks, for the most part) and some international institutional investors as we discuss in more detail below.

2.2) Recent developments: privatizations, IPOs, takeovers and the presence of more market mechanisms

Following the previously mentioned European study, Crespí and García-Cestona (2000) have extended the analysis to the 1990-1998 period for the case of Spain. Tables 2.2 to 2.8 contain the relevant information concerning the evolution in ownership structure using the concept of voting blocks. Although large banks and non-financial companies still play an important role in the Spanish economy, the last years have experienced a number of changes in the Corporate Governance landscape. Market mechanisms are clearly gaining in importance and the role of state as a direct shareholder has practically disappeared. On the other hand, company mergers facilitate the arrival of new large players and the promotion of powerful managers and board of directors that often end up adopting measures that not necessarily increase wealth for the small shareholders. Moreover, they protect themselves using mechanisms such as poison pills, voting caps and others (see table 4.1).

We can summarize the present situation as follows:

1') Along with the internet boom there has been an important increase in the number of listed companies and their importance. As it is shown in table 2.1a, the number of listed firms has more than doubled (1869 companies by the end of 2000) and the relative weight of the stock market in the economy has been multiplied in several times. At present, the capitalization of the Spanish stock market equals the GDP figure, compared to the 22% in 1990. A number of companies have joined the ranks of the listed companies, either through privatization or public share offers. Table 2.1b shows the public offers since 1995. Several of these newcomers have quickly joined the index IBEX-35 such as Terra, Zeltia, TPI or more recently Inditex. This signals the increasing importance that firms confer to market mechanisms. At the same time, different sectors have experienced a strong process of internationalization, with important mergers and increased concentration trying to become more competitive on international basis (Construction, Electricity, distribution or the banking industry are examples of that process).

2') Ownership concentration among Spanish firms remains still pretty high, although it has diminished slightly. Tables 2.2 and 2.3 show the data corresponding to voting blocks by sector and year. The last available figures show that, although decreasing, significant participants[5] hold more than 58% and 53% of the voting blocks in 1997 and 1998. When only the largest shareholder is considered (table 2.4), the average voting block still amounts to almost 35% in 1998. As before, it is enough to add up two or three of the largest shareholders to gain the majority. The year 1998 shows an important decrease in the concentration levels and only the C5 overcomes the 50%. More data could confirm that trend.

3') In terms of the different categories of shareholders, it is also interesting to note that non-financial firms keep their status as main category, with families and individuals coming in a second position (see table 2.5). The state participation has decreased with the process of privatization and banks maintain a low profile as shareholders. Nevertheless, the analysis changes significantly if we re-calculate the average shareholdings conditioned to a non-negative value. That is, we withdraw now those observations with a zero value and calculate the average shareholdings only for those companies where a type of investor has decided to intervene. We see then that the state tends to participate in less companies but when it does it, its shareholdings are pretty large (around 60%) and it achieves control. Table 2.7 shows these data and the different categories. Foreign shareholders seem also quite selective and tend to participate only in certain sectors and with large stakes to control companies. There we can observe also a trend towards a lower participation of this type of shareholder. With respect to banks their percentage is the lowest among the different types, so although they have shareholdings, Spanish banks do not seem to pursue a strategy of controlling the industrial firms.

4') During the 1990s there has been an intense privatization process in Spain, especially during the second half of the decade. This process has allowed the stock market to gain in importance and turnover as showed earlier in table 2.1. Furthermore some of the large companies, previously owned by the state have become international players. As it can be seen in table 2.10, 1997 and 1998 have served as the liquidation years for the state shareholdings in those large companies. The state has, nevertheless, retained **a golden share mechanism** in most of these companies, to be used only under specific and quite narrowly defined scenarios. The first time the mechanism was enacted occurred already in 1995 with Repsol, the largest oil Spanish company. Other cases have involved Telefónica,

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[5] By significant participants we understand all those investors reporting to the CNMV (Spanish Exchange Commission) under the Spanish Law.

the former telecommunications monopoly, and Endesa, the largest electricity utility. Although such mechanism has been included in the privatization processes as a protection for the public and national interest, the state has not used it to date. Furthermore, small investors, banks and institutional investors have replaced the state in the ownership structure of those firms. Section 4 provides more details of this process.

Next we study the different types of financial firms in Spain and its implications for the governance of corporations. There is a diversity of organizational forms that are subject to the same legal framework and compete successfully with each other and against foreign institutions. In particular, we focus on the role played by Spanish savings banks and we want to analyze how beneficial is the presence of this diversity of corporate governance solutions for the creation of competition and wealth.

3. Banks as financial providers and owners. Private Banks versus Savings Banks

3.1) Overview and an international comparison

Spanish banks as a whole enjoy a consolidated position in the international markets and they are better place than their manufacturing counterparts, traditionally weaker in the international comparisons. Table 3.1 presents the ranking of Spanish banks elaborated by “The Banker” where the number and size of the Spanish banks compare favorably with countries with larger economies, such as Italy or France. The same does not occur for the manufacturing sector. We can see also that the two top institutions are BSCH (26) and BBVA (27), both private banks and the result of mergers among eight of the largest banks since the early 1990s. Furthermore, both institutions have pursued an aggressive expansion policy in Latin America, being very active in the pension funds markets and becoming also big players within the Spanish stock market.

Nevertheless, we would like to emphasize here the presence of a different type of bank. The next two financial institutions in the ranking are savings banks. They are also well positioned in the international ranking and they are, indeed, larger than many banks. In fact, out of the 44 Spanish banks included in the 2001 "The Banker" world ranking of the 1000 largest banks, 33 are savings banks and one more is Caja Laboral, the largest cooperative financial institution[6].

These institutions are non-profit organizations. Although they are subject to private law, local and regional administrations have a lot to say in them, controlling an important number of seats in the General Meetings and lobbying at the time of naming the chairman or the CEOs of these entities. Employees, founders and depositors are the other categories formally represented in the General Meetings. We think that this broad representation justifies the adoption of a *stakeholder approach* in this case. Furthermore, Spanish savings banks (SSB) have historically considered part of their mission the following: "*These institutions want to make a contribution for the universal access to financial services, avoiding possible abuses of monopoly power (usury) while keeping in mind economic efficiency considerations. Additionally they want to contribute to a better distribution of the generated wealth and the economic advancement of the societies where they operate*". This social nature combined with other elements of private law creates certain confusion over the real nature of these entities. The lack of shareholders makes less clear the allocation of decision rights but, in spite of all these problems, SSB are quite successful. Interestingly enough, the origin of SSB is closely linked to some charitable institutions (Montes de Piedad, a thrifty institution) in the mid XIX century. At that time, private banks were suffering from serious moral hazard problems and small savers distrusted them. They could not monitor on an individual basis the bankers (free-rider problem) and were afraid of losing their savings. Government itself lacked the necessary reputation to launch a government-backed bank, able to attract those depositors as it happened in other European countries like France or Portugal. In fact, it tried and it failed badly in the 1850s. After that, Savings banks multiplied their numbers and presence while the interference of public authorities came only in the form of setting certain investment ratios.

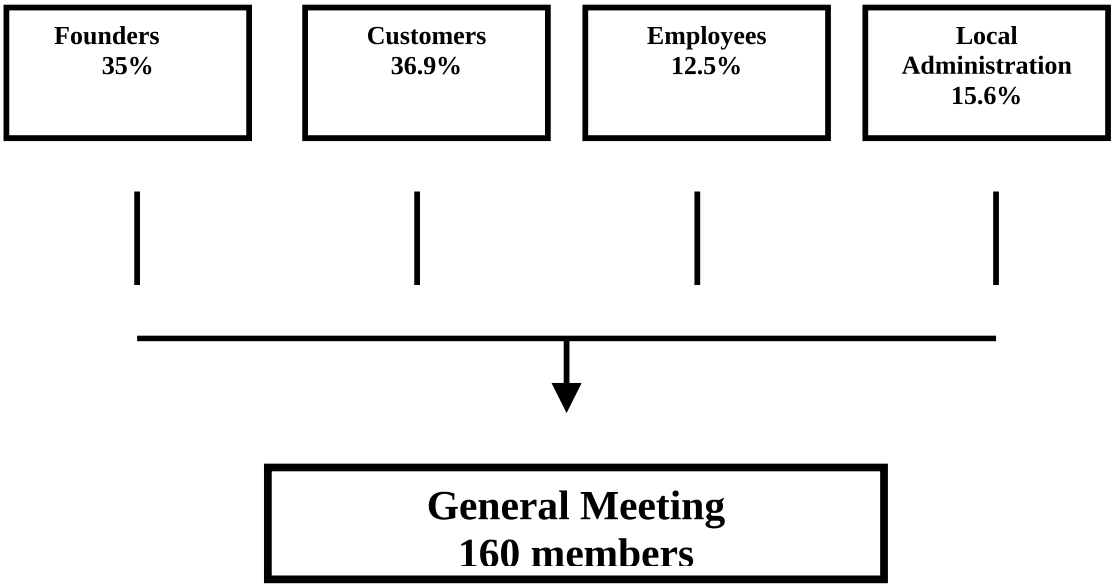
[6] It belongs to the Mondragón group and competes successfully against other types of financial organizations, mainly at the regional level.

It is important to mention that unlike other European countries and with the exception of Norway, SSB are large players in the financial system. As a group they manage, roughly, half of the whole financial system. The largest among them are comparable to large private banks and they compete successfully in all the markets. Occasionally they have been accused by private banks of unfair competition due to their not-for-profit nature that prevents private banks from absorbing them. Nevertheless, their reputation runs high among consumers and they remain as dependable institutions as different studies have shown. Moreover they have managed quite well the different financial crisis, with no bankruptcies, unlike their private rivals.

At present SSB have been increasing their market share in deposits, credits and assets. They seem to behave more efficiently (in terms of operative costs) that private banks in spite of having an allocation of residual decision rights not so clearly established as in banks. This is quite a paradox when the economic theory suggests that agency problems, asymmetric information and the incomplete nature of the contracts should be enough reasons to observe a weaker performance of SSB versus their rivals. To this respect, several empirical studies have addressed the issue of measuring the efficiency of both types of banks using frontier analysis. Pastor (1995, non-parametric analysis) and Lozano (1998, parametric and thick frontier analysis) show that savings banks have higher levels of efficiency for the period 1985-1991. In fact, and to be precise, they suggest that during that period the cost efficiency of banks has diminished while savings banks' efficiency has remained without changes.

This scenario introduces an interesting question: SSB are institutions with an organizational design that, in spite of presenting serious potential problems, allows them to enjoy a privileged position at present. Other banking corporations competing for the same market and with a different organizational arrangement, more in line with a market-oriented system, are in similar or worse positions. The interesting issue then is to understand why this happens.

Figure 3.1: General Meeting Composition for Caixa Catalunya.



3.2) The Spanish Savings Banks as organizations oriented to stakeholders.

As we just mentioned above, savings banks, which are organizations with no shareholders, have reached an important place within the financial system and compare favorably with other competitors with ownership structures more in line with the usual private company. In spite of presenting a different organizational design they suffer no limitation versus private banks. They offer the same products as banks, but their nature and the fact that a certain percentage of their results go, by law, to social activities (educational projects, cultural activities, etc.) help them to enjoy certain advantages in terms of consumer perception. On the other hand, private banks are public corporations and they present an organizational design where shareholder value becomes the goal, in line with the basic postulates of financial theory. A more dispersed control rights structure but similar results in terms of profitability or efficiency compared to their competitors is the puzzle to be explained.

As figure 3.1 shows, there are four types of stakeholders formally represented in the General Meetings (founders, employees, depositors and local administrations). In fact, this could imply a multiple-goal objective function as the mission of the savings banks indicated earlier. Although the 1985 Spanish Law on Savings Banks fixed first the relative weights of the interest groups[7], the law was successfully challenged by the regional governments and we can observe today differences on those relative weights across regions and even across individual banks within the same region. Next, table 3.3 links each type of stakeholder to the possible pursued goal, making clear that conflicts can arise in this context. Figure 3.2 shows the three chapters involved in the distribution of SSB's profits: social benefits, retained earnings and taxes. Important changes in the distribution of profits of SSB have occurred along the period (1947-1999), reflecting changes in the relative power of stakeholders. As it can be observed, social activities, that received more than 50% of the profits through the 1960s, have been replaced now by the increasing emphasis on building Reserves. This change has come along with an increase in the level of taxes for savings banks and both factors together have caused a drop in the level of social activities, which now stands in a mere 20%.

Spanish Savings Bank: Mission and Stakeholders

MISSION		STAKEHOLDERS
Traditional Goal	Modern Goal	
- Promote the culture of savings among the medium and low class to avoid their exclusion from the financial system	- Universal access to financial services	Founders Public Authorities
- A reasonable use of the collected savings under conditions of safety and profitability	- Economic efficiency	Depositors Regulator
- Fight usury	- Promote competition and prevent the abuse of monopoly power	Founders Public Authorities
- Provision of some charitable and social services	- Make a contribution to wealth redistribution and welfare	Founders
- Attend genuine territorial interests	- Make a contribution to regional development	Public Authorities

Source: Adapted from Salas (1999)

[7] The 1985 law fixed the following percentages: 11%, 44%, 5% and 40% respectively.

Coming back to the question of how can we explain their success, we believe that the importance and impact of the “social activities” chapter in the SSB has played in the past, and still plays today, a crucial role at comparing them with respect to private banks. Hansmann (1996) presents an interesting interpretation of this problem when he analyzes the role of non-profit organizations. During the XIX century, the creation, later expansion and success of the savings and loans in the US responded also to the problems faced by small customers in a context of severe information asymmetries. Unable to monitor the owners or the managers of private banks, small depositors did not take their savings to them and, therefore, were excluded from the financial system. When the first savings and loans were created, a good share of their success came from their non-for-profit nature, that reduced the of managers’ incentives to behave opportunistically in their investment decisions. At the same time, this feature facilitated the process of building customers’ trust and reduced further the moral hazard problems. Hansmann applies the notion of *“commercial non-profit firm”* to this context. For our purposes, savings banks are commercial organizations because they compete with other firms and search for profits in the financial markets. But they are also non-profit because owners cannot appropriate those profits for themselves. Profits are used to accomplish some goal already specified in the company statutes and they could range from social development to some charitable purpose.

Therefore we believe the challenge ahead is to show how economic efficiency can also profit from the social activities and their effect. In particular, we want to show that the non-profit nature of savings banks facilitates a trust-building process. Some recent works are pointing in that direction. Glaeser and Shleifer (2001) consider the case of an entrepreneur that chooses to become a not-for-profit firm in an asymmetric information scenario where quality is not verifiable. The basic idea is that customers become afraid of a for-profit firm taking advantage of its information and reduce consumption. Through a not-for-profit firm, trust is built and higher profits are collected.

Finally, we show some examples of bank-industry relations in Spain. In particular, we first mention the role of banks and show the evidence on rent extraction. Secondly, we present some measures of good governance and the role of government with the use of golden shares.

4. Bank-industry relations

4.1) The Role of Banks

In a world of increasingly important financial markets, financial intermediaries, and banks in particular, still play an important role at the time of offering funds to firms. Moreover, these institutions often provide monitoring expertise, an activity that enjoys a certain degree of economies of scale and experience. There it would make sense to observe specialization and some sort of cooperation among lenders while, at the same time, they compete with other banks forming part of similar rival groups. The existence of syndicated loans with repeated partners over time, the venture capitalists that lead and monitor a project sometimes, while behave as simple fund-providers other times, or the Japanese main bank, provide real examples that inspire these approaches. On the other hand, the use of banks can imply certain costs for firms. In particular, banks holding a large share of the credits and particular information about the firm may take advantage and extract some rents from the firms, Rajan (1992).

Aoki (1994) describes a Main Bank financial contract, consisting, among other things, in a nexus of bank-firm relationships, and arrangements of reciprocal monitoring delegation among banks. To be more precise, Aoki's Main-Bank Contract (MBC) is characterized by the following facts: 1/ Reciprocal allocation of monitoring tasks for banks. Multiple relationships are needed for a bank to play the role of a main bank in some occasions and a secondary role in others, ``free-riding'' then on another main bank. 2/ A main bank bears all the responsibility in front of the other bank participants. And it becomes the residual claimant in case of financial distress. 3/ The monitoring effort for a main bank does not respond to its ownership or lending share.

One of the main criticisms of this contract (Weinstein and Yafeh, 1998) is that in a non-competitive framework it hinders firm improvements as there is an excessive rent extraction by banks[8]. In Spain, we have traditionally observed ownership concentration and tight bank-firm relations until the 1970s. After that, a more distant relation has prevailed. Emilio Botín, chairman of one of the largest Spanish banks, Banco Santander, has often rejected the involvement as core shareholders of industrial firms and declared the following in March 1997: "*there exists an incompatibility between the compromises of belonging to a board and being an independent banker.*"

In an interesting paper, Zoido (1998) studies the role of Spanish banks as shareholders and concludes, nevertheless, that bank shareholdings benefits both shareholders and creditors. After analyzing a sample of 10,000 firms, with 243 listed firms among them, during 13 years (1983-1995) and panel data techniques, she shows that banks are active shareholders. Firms with banks as owners achieve higher market values and enjoy a lower cost of financing new projects. Also, under financial distress, banks are prone to discipline firms, desinvesting quickly and rejecting the possibility of debt renegotiation. Furthermore, the percentage of participated firms has decreased during the period of analysis (from 9 to 4%) and she also mentions the Bank of Spain as an element of pressure on bank behavior towards firms but, from her analysis, one cannot conclude that Spanish banks are extracting rents from firms.

4.2) Of Boards, Managers and good governance.

In the last years, several company statutes have been amended to incorporate anti-takeover devices. One such provision limits the voting capabilities of large shareholders with rules like "no shareholder can exercise more votes than he/she would in case of having 5% of equity". Spanish large listed corporations have begun to introduce these voting caps, as the example of Telefónica shows below. Other statutory modifications raise the majority

[8] Other studies like Gower & Kalirajan (1998) do not find a significant difference in efficiency improvements during the 80's between Japanese firms with close ties with a main bank, and other firms.

required for important decisions such as mergers, business changes, etc. In those cases, the requirement of qualified majorities of 75% or 90% means that some minority shareholders can block key board decisions. A third way to limit voting rights is altering the rules on the appointment of board members, by requiring some degree of seniority as shareholder or increasing the number of votes required by reducing the size of the board.

The case of Telefónica S.A.

We briefly present now the case of Telefónica, Spain's largest listed company. Until 1997, the state owned the largest stake in the firm; at the last comprehensive offering the remaining shareholding to be privatized was 21.15%. Non-state shares have been traded for many years, always accounting for an important fraction of daily trading volume on Spanish stock exchanges.

At the time of the privatization, the state was encouraging the active involvement of several large Spanish companies (called core shareholders or *"núcleo duro"*) in the newly privatized companies. In particular, three financial institutions hold shares larger than 5% in Telefónica: BBV, Argentaria and La Caixa. The new private company has established that each core shareholder is entitled to name two members of the Board of Directors. The law also allows for golden shares in former state-owned companies under certain scenarios. Such possibility has been also introduced in the case of Telefónica, although until now the government has never exercised its right of administrative approval[9]. What are the consequences of privatization on the governance of firms? How does this change affect the incentives of managers or the ownership structure of the new firm? Those are important questions to be addressed.

By May 1998, after privatization had been completed, the management team of Telefónica succeeded in enacting several measures with a powerful impact on corporate governance:

a) the approval of a **10% voting cap**. That is, independently of his holdings, no shareholder can exercise more than 10 % of the total votes.

   At the General Meeting of Shareholders of 24 June 1998, a resolution limited the voting rights attached to shares: shareholders shall have the right to one vote for each share they own or represent, except that no shareholder may exercise more than the number of votes corresponding to 10% of the total voting stock at any given time, even though

[9] At least at a formal level. In practice, the Government blocked the company's move to merge with KPN.

the number of shares held by such shareholder exceeds 10% of the equity of Telefónica. This limitation also applies to the votes cast by any two shareholding companies that belong to the same group of companies or to any two or more shareholding companies that are controlled by any one shareholder, whether the shares held by such companies are issued jointly or separately. Regardless of the limitations on voting rights, all shares belonging to one holder, to one group of companies or to one person and its controlled companies, will be included together for the purpose of establishing whether a quorum is present for the carrying on of business at any General Meeting of Shareholders.

Interestingly, Germany has recently passed legislation prohibiting voting caps. Basically, voting caps and multiple voting rights have to be phased out over the next few years. The reasons invoked include the excessive managerial power that this mechanism may generate.

b) Requirements for the members of the Board of Directors: the candidate must have held more than 1000 shares of Telefónica for at least three years before their nomination, unless 85% of the members of the Board agree to waive this condition.
c) Requirements for Chairman or any other position in the Executive Committee: the candidate must have held a position on the Board of Directors for at least three years before appointment. Again, this seniority rule can be waived by an 85% majority of the Board.

Given the existent dilution of shareholding, these measures provide added power to the managerial team. The case is especially important: as noted this is Spain's largest corporation and could easily be a trend-setter. These measures overturn the one-share-one-vote rule, giving greater discretionary power to managers and seriously affecting the governance of the firm.

Many companies have followed the example and established restrictions. Table 4.1 shows a list with the largest listed firms and the adopted measures.

Table 4.2 shows the links between large banks and manufacturing firms both in 1996 and in 2000. Furthermore in the table also presents the number of members of the board named by the financial institutions.

4.3) Privatization, Golden shares and the role of Government

Privatization programs imply the transfer of control and decision rights from the government to private investors, mainly through some public share offering. In some countries like France, Italy, Spain or U.K. among others, the privatization of SOEs often includes restrictions that allow a government to maintain decision and control rights over certain decisions considered of "national interest". And this is done independently of the number of shares. An important example of this practice is the use of golden shares, where the government enjoys a decision power that goes far beyond the general rule of "one-share-one-vote". Even after a majority of the income rights are hold by private investors, golden shares enable a government to protect those national interests through veto power in front of some mayor corporate decisions such as liquidation, certain asset sales or mergers. That this is a common practice can be also seen in the empirical studies: Jones et al. mention that 50% of the firms in their international sample have golden shares. A figure that reaches 90% for the U.K. firms. Interestingly enough very few instances of use of those rights are reported. For instance, in their study, Jones et al. only report two events where the government has threatened to use those rights, and the two referred to British companies.

The Spanish government elaborated a resolution *"Ley de régimen jurídico de enajenación de participaciones públicas en determinadas empresas"*, dated March 23rd 1995, that specifically applied to public enterprises or firms where prior to privatization the state had a stockholding such that allowed the government to exert an effective control over company decisions. The issue under our consideration arises when, due to the allocation of shares among private investors, the government starts losing its capability to control along with its condition of largest shareholder. Once control is transferred to the private shareholders, it can no longer be guaranteed that the general interest will still be respected and satisfied. This act puts forward a specific solution to the problem that implies, under certain scenarios**, the transfer to the administration of all the authority concerning**

those matters affecting the general interest. It is important to note that this transfer occurs independently of the government participation size as a company shareholder. The act also specifies the possible implementation of an "administrative license" system for certain decisions, like the ones mentioned above. Such implementation will be enforced if the company sells shares beyond 5 percent of its equity, or if the state-owned stockholding falls below 15 per cent. The administrative license pursues the protection of the general interest and this can be achieved with the same efficiency no matter the ownership distribution of the firm be, state-owned or private. In other words, the Spanish privatization regulator seems to believe the concession of the administrative license will not be affected by the size of government's participation in the company.

García-Cestona and Salas (2000) build a basic model to face this problem. They consider a firm with a decision space that contains two decision sets: one with those decision variables that provide benefits that can be privately appropriated by the investors-shareholders, and a second decision set that includes those variables affecting the public/social interest. These last variables are in fact the ones subject to the control and decision rights of a golden share. According to their analysis, when the government holds a low percentage of a firm's equity, it will hardly internalize the impact of its decisions over the economic value of private assets and will, consequently, favor the general interest even if doing so the government damages the firm's interests. Of course, potential investors of the privatizing company, will anticipate this loss in share value caused by the exertion of decision rights over public assets and will deduct this effect, accordingly, from their price offer. Beyond the point where efficiency gains from the management of private assets (i.e., profits obtained through the incorporation of private shareholders into the firm's equity) are exhausted, any further privatization could damage the market value of the shares to be privatized.

They show that a possible way of increasing the private investors' guarantee and, simultaneously, obtaining a higher price for these shares under privatization exists. Such alternative would require two components: a) the allocation to private investors of the residual decision rights over those assets related to the general interest, and b) a governing structure which enables renegotiation between private investors and the administration as an alternative way of taking into account the general interest. According to their results, if these two elements are present efficiency gains linked to this corporate governance option do exist.

5. Conclusions

Spanish economy is an intermediate one in terms of size, with some large banks, a history of government involvement in industry and a recent privatization process. It is in this sense that we think some useful lessons can be extracted for East Asian countries on Corporate Governance issues. When we look at the Spanish industrial structure and we compare it with the existent in other countries there are some interesting features that can provide interesting lessons for other countries and should be studied further. First, the degree of openness to foreign companies and the level of “local competition” have improved competitiveness in comparison with the previous situation. Second, the largest Spanish companies respond mostly to a previous experience as state-owned companies, largely controlled by the government. After the privatization wave, the state has been replaced by large shareholders and managers enjoy important control rights in those companies. Large companies have been created where the managerial teams are becoming more powerful. Furthermore they are breaking the one-share one-vote rule and often form coalitions along with some large shareholders to extract rents form the small owners. Third, the Spanish financial system seems to enjoy a better situation, in terms of competitiveness, than the average industrial sector. Unlike many of the European countries, savings banks are big players in the system with similar levels of operational efficiency respect to private banks and better acceptance by users. Furthermore, they provide an example of fast adoption of technological innovations and healthy results.

We think that a stakeholder approach can help to understand their success. On the lines of Hansmann’s analysis we further believe that their not-for-profit nature has helped them to achieve a privileged position. Moreover, their presence and added competition to private banks may explain why, in spite of having a highly concentrated ownership structure and significant participation, Spanish banks do not seem to extract excessive rents from industrial companies. It could be the case that market competition turns out to be more important than the ownership structure of the firms that compete.

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TABLE 1.1: RANKING OF SPANISH COMPANIES BY SALES 1998

Listed companies

	Company	Sector	Sales (Ptas millions)	Employees
1	Repsol-YPF	Oil	3.159.517	22.625
2	Telefónica	Telecommunications	2.906.021	103.662
3	Compañía Española de Petróleos	Oil	1.160.540	8.650
4	Tabacalera	Tobacco	1.156.740	6.833
5	Endesa	Energy	1.137.498	21.446
6	Fabricación de Aut. Renault España	Automobile	1.024.328	14.273
7	El Corte Inglés	Retailing Sales	1.021.174	43.120
8	TI, Telefónica Internacional España	Telecommunications	893.073	28.018
9	Seat	Automobile	827.534	13.708
10	Opel España	Automobile	763.777	9.160
11	Iberdrola	Energy	690.270	13.042
12	Citroën Hispania	Automobile	648.408	9.063
13	Iberia Líneas Aéreas de España	Airlines	644.960	25.832
14	Ford España	Automobile	602.652	8.163
15	Grupo Dragados	Construction	576.947	30.519
16	Centros comerciales Continente	Retailing Sales	570.188	17.817
17	Volkswagen Audi España	Automobile	564.903	231
18	Fomento de construcción y servicios	Construction	549.577	39.555
19	Centros comerciales Pryca	Retailing Sales	524.766	16.827
20	Eroski	Retailing Sales	493.751	18.687
21	Aceralia Corporación Siderúrgica	Metals	481.999	15.016
22	Red Nacional de Ferrocarriles Españole	Railways	474.884	35.451
23	Telefónica Servicios Móviles	Telecommunications	468.203	2.491
24	Gas Natural SDG	Gas	446.442	6.067
25	Alcampo	Retailing Sales	441.887	15.400
26	Acciona	Construction	409.366	13.219
27	ACS	Construction	409.271	15.818
28	Grupo Ferrovial	Construction	407.910	12.202
29	Peugeot España	Automobile	391.142	4.314
30	Cepsa Estaciones de Servicio	Oilfield Services	385.350	202
31	BP Oil España	Oilfield Services	383.185	682
32	Mercedes Benz de España	Automobile	374.390	4.658
33	Mercadona	Retailing Sales	361.700	16.000
34	Renault España Comercial	Automobile	359.074	592
35	Comp. Valenciana de Cem. Portland	Cement	350.189	8.890
36	Petróleos del Norte	Oil	347.368	783
37	Distribuidora Internac. Aliment	Retailing Sales	332.000	8.600
38	Volkswagen Navarra	Automobile	330.109	5.406
39	Hipercor	Retailing Sales	307.033	9.860
40	Unión Eléctrica Fenosa	Energy	306.806	7.286
41	Assicurazioni Generali	Insurance	279.339	2.600
42	Neumáticos Michelin	Neumatics	277.414	9.762
43	Comp. Sevillana de Electricidad	Energy	261.967	5.036
44	International Bussines Machines	Computer Equipment	245.968	5.300
45	Soc. General de Aguas Barcelona	Water	238.710	18.757
46	Nissan Motor Ibérica	Automobile	237.140	3.889
47	Allianz Ras	Insurance	229.404	2.800
48	Industria de Diseño Textil	Textil	226.708	11.968
49	Iveco Pegaso	Motor Vehicles	224.382	3.579
50	LG Cirsa Corporation	Miscellaneous	222.000	5.050

Source: Annual Report, El Pais.

Table 2.1: LISTED COMPANIES

ON THE SPANISH STOCK EXCHANGE	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Number of companies	**867**	**868**	**801**	**763**	**652**	**615**	**606**	**667**	**872**	**1367**	**1869**
electronic market	*116*	*122*	*124*	*121*	*127*	*127*	*134*	*143*	*149*	*148*	*155*
outcry market	*751*	*746*	*677*	*642*	*525*	*488*	*472*	*520*	*723*	*1219*	*1714*
Market capitalization (Ptas billions)	**12000**	**14902,2**	**13961,1**	**21253,1**	**20891,8**	**23629,3**	**32438,6**	**45531,3**	**59167,6**	**77266,5**	**96670,3**
electronic market	*9770*	*12508,4*	*12193,8*	*19705,9*	*19316,1*	*21929,1*	*30539,7*	*43090,6*	*55420,8*	*69840,5*	*78376,2*
outcry market	*2230*	*2393,8*	*1767,8*	*1582,7*	*1575,8*	*1700,2*	*1898,9*	*2440,7*	*3746,7*	*6581,9*	*9166,5*
GDP current prices (Ptas billions)	**53720**	**59332**	**66385**	**65711**	**65556**	**72633**	**78797**	**81091**	**87183**	**93672**	**100826**
Capitalization/GDP (%)	**22%**	**25%**	**21%**	**32%**	**32%**	**33%**	**41%**	**56%**	**68%**	**82%**	**96%**
Capitalization IBEX-35 (Ptas billions)										**48749,2**	**51064,0**
Capitalization IBEX-35/GDP (%)										**52,0**	**50,6**

Source: CNMV.

TABLE 2.1b: PUBLIC OFFERS

Company	Date	PO %
Aragonesas	20/02/95	51
Repsol IV	10/04/95	19
Telefónica I	03/05/95	12
Repsol V	05/02/96	11
Argentaria I	26/03/96	25
Sol Meliá	21/06/96	42
Telepizza	08/11/96	45
Telefónica II	18/02/97	21
Adolfo Domínguez	18/03/97	70
Repsol VI	07/04/97	10
Cvne	17/07/97	25,43
Bodegas Riojanas	30/09/97	35
Endesa II	29/10/97	25
Iberpapel	17/11/97	32,6
Aceralia	24/11/97	53,76
ACS	21/11/97	33
Dinamia	28/11/97	80
Argentaria II	26/01/98	29,2
MIA	30/03/98	35
Altadis	13/04/98	52,4
Superdiplo	30/04/98	28
Koipe	05/06/98	32,5
Endesa III	05/06/98	32,5
Europac	07/07/98	45,4
Paternina	16/09/98	27
Azkar	03/02/99	49
Indra	23/03/99	59,4
Ferrovial	05/05/99	31
Parques Reunidos	26/05/99	90
TPI	24/06/99	35
Deutsche Telekom	28/06/99	10,22
Redesa	07/07/99	31,5
Repsol VII	08/07/99	21
Sogecable	21/07/99	21,73
OHL	08/10/99	22,74
Inmobiliaria Colonial	27/10/99	54,45
Terra	17/11/99	23,6
Amadeus II	24/05/00	
BBVA	24/05/00	
Dutsche Telekom	19/06/00	
Prisa	27/06/00	20
Zeltia	30/06/00	
EADS	07/07/00	
BSCH	11/07/00	
Logista	17/07/00	
Tecnocom	24/07/00	
Sos Arana	26/09/00	
Recoletos	26/10/00	
Gamesa	30/10/00	30
KPN	17/11/00	
Deutsche Post	19/11/00	
Telefónica Móviles	21/11/00	
Bami	08/02/01	
Iberia	03/04/01	48,51
Inditex	23/05/01	26,09
Ence	10/07/01	

Source: Expansion, several numbers.

Figure 2.1. Direct Shareholdings: Acumulated percentage of significant shareholders. Sample of 193 non-financial companies, December 1995.

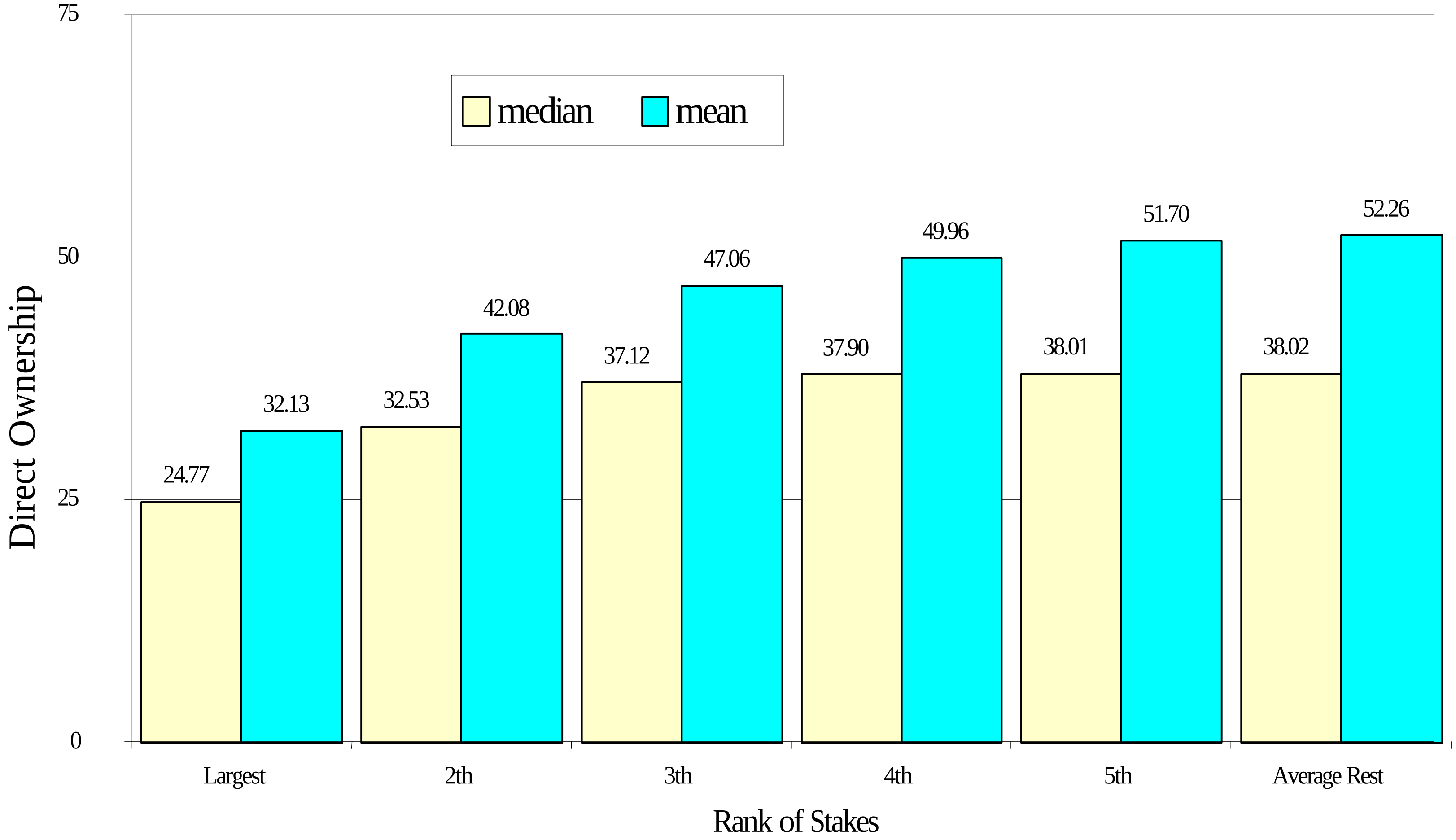

Figure 2.2. Direct stakes and voting blocks: Largest shareholders.
Sample of 193 non-financial companies, December 1995.

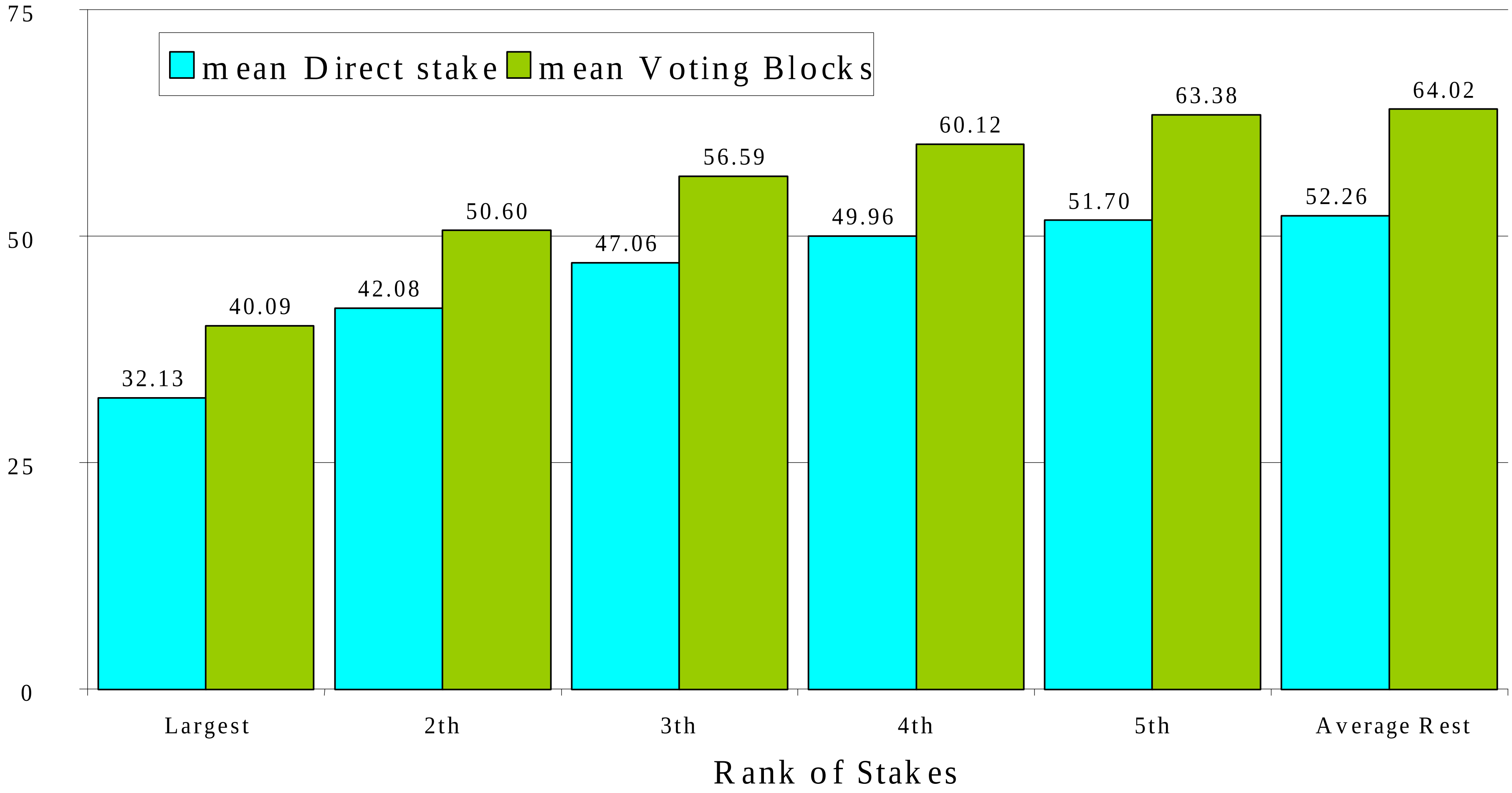

Table 2.1. Voting Blocks: Average percentage of the largest voting block by sector and year

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998
Agriculture and Fishing	37.54	43.37	45.21	43.39	36.53	36.53	43.48	43.48	43.48
Utilities / Mining	25.87	27.07	26.93	26.96	27.80	41.06	41.81	41.81	32.96
Utilities / Oil	45.97	65.49	60.50	56.09	56.39	50.39	46.33	45.03	20.57
Utilities / Electricity	45.93	47.67	44.45	45.16	46.89	51.61	56.37	56.13	37.94
Utilities / Water and Gas	41.96	43.11	26.76	27.56	31.03	28.91	30.51	26.44	28.47
Basic Metals	35.94	36.33	39.27	34.67	34.74	38.84	38.28	35.89	34.69
Cement	50.02	47.74	51.55	53.63	59.80	62.71	56.21	60.82	39.75
Building Materials	37.44	36.11	40.57	37.24	35.24	35.25	33.83	32.51	32.67
Chemicals	38.08	39.13	34.92	46.47	45.96	33.80	34.80	36.57	29.68
Metal Manufacturing / Cars and Transport	56.63	58.81	67.60	72.43	79.87	80.19	73.80	70.48	58.22
Metal Manufacturing / Other Metal Manufacturing	31.49	31.90	29.04	32.66	31.48	26.48	27.15	26.34	26.12
Other Manufacturing / F & B and Tobacco	40.57	43.33	40.97	44.64	41.18	41.77	42.00	45.07	43.49
Other Manufacturing / Paper and Graphic Design	31.99	37.61	33.33	35.39	35.79	35.89	25.76	24.50	22.07
Other Manufacturing / Other	25.05	23.79	25.49	24.35	23.43	23.17	21.58	19.83	19.24
Construction	36.54	40.96	37.82	43.52	38.46	37.31	36.37	38.39	37.50
Commerce and Services	36.98	38.04	44.90	39.05	40.41	35.60	34.26	34.71	37.56
Transport and Communications /Transport	38.80	38.80	41.28	39.56	33.47	41.73	46.27	46.27	46.27
Transport and Comm. / Parking and Highways	34.42	29.60	32.78	37.02	40.10	40.94	40.09	40.09	43.96
Transport and Comm. / Communications	32.37	32.37	32.37	32.37	32.37	31.85	20.90	5.80	5.06
Property	31.90	31.56	29.09	34.85	34.08	35.61	32.65	29.08	28.10
Banking	53.62	57.26	50.05	52.86	51.03	48.64	50.13	49.86	43.71
Insurance	60.31	67.12	67.02	59.71	55.34	66.82	60.30	60.31	60.37

Table 2.2. Voting Blocks: Average (C all) Percentage by sector and year

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998
Agriculture and Fishing	52.94	68.57	66.87	72.05	63.47	65.67	68.27	66.75	51.12
Utilities / Mining	43.63	47.04	41.43	45.12	50.23	52.68	55.44	54.66	48.10
Utilities / Oil	54.52	81.09	77.37	72.96	81.16	67.30	72.99	70.21	57.18
Utilities / Electricity	49.11	53.95	50.81	51.69	53.90	57.81	62.75	62.95	43.61
Utilities / Water and Gas	63.63	65.15	61.03	61.29	62.86	60.74	62.34	57.06	68.25
Basic Metals	62.66	63.44	64.34	60.44	61.82	66.97	66.08	63.57	57.84
Cement	66.54	63.54	65.65	67.91	72.85	73.50	70.64	78.85	59.65
Building Materials	57.57	53.62	55.80	54.06	54.14	56.05	54.99	50.78	50.64
Chemicals	59.88	61.42	63.27	68.47	70.33	64.87	65.90	58.90	50.05
Metal Manufacturing / Cars and Transport	68.01	71.89	72.23	75.74	85.51	87.33	85.94	90.60	87.98
Metal Manufacturing / Other Metal Manufacturing	55.14	56.37	47.14	59.31	56.63	52.41	43.67	41.22	42.38
Other Manufacturing / F & B and Tobacco	65.38	66.19	65.45	69.97	69.33	68.88	63.94	65.19	63.88
Other Manufacturing / Paper and Graphic Design	55.19	59.46	57.87	60.27	60.49	65.52	43.43	39.40	32.88
Other Manufacturing / Other	48.89	49.38	50.99	54.53	54.22	58.34	56.39	43.97	41.22
Construction	50.03	51.36	53.99	62.36	54.12	53.40	62.08	64.76	59.56
Commerce and Services	59.35	66.60	76.18	67.12	72.20	65.94	60.35	56.13	48.44
Transport and Communications /Transport	46.53	47.34	60.94	49.31	49.49	67.11	77.50	78.55	78.55
Transport and Comm. / Parking and Highways	57.02	51.48	58.87	67.93	64.90	65.97	64.12	63.21	66.58
Transport and Comm. / Communications	35.47	35.47	35.47	35.47	40.43	40.01	39.08	29.00	27.41
Property	56.87	58.95	61.91	65.30	66.38	66.45	65.86	62.92	61.10
Banking	58.21	65.95	57.01	62.23	59.04	56.76	53.49	52.68	47.67
Insurance	73.41	76.93	72.69	68.04	64.55	76.65	69.33	72.20	72.04

Table 2.3. Number of companies by sector and year. Sample distribution.

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998
Agriculture and Fishing	4	4	3	4	4	4	3	3	3
Utilities / Mining	5	5	4	4	4	4	4	4	3
Utilities / Oil	3	3	3	3	3	3	3	3	2
Utilities / Electricity	12	12	11	11	11	11	10	10	12
Utilities / Water and Gas	7	7	5	5	5	5	5	4	3
Basic Metals	14	14	9	12	10	10	10	11	10
Cement	14	14	11	12	10	10	8	8	6
Building Materials	8	7	6	6	6	6	5	4	4
Chemicals	19	17	12	14	13	11	9	6	3
Metal Manufacturing / Cars and Transport	8	8	5	7	6	6	4	3	2
Metal Manufacturing / Other Metal Manufacturing	27	28	17	24	24	20	16	15	16
Other Manufacturing / F & B and Tobacco	31	32	27	30	27	26	24	20	20
Other Manufacturing / Paper and Graphic Design	16	16	12	14	13	12	9	10	10
Other Manufacturing / Other	22	22	19	20	18	17	15	14	14
Construction	10	12	11	12	11	11	10	9	6
Commerce and Services	28	27	19	23	25	23	21	16	16
Transport and Communications /Transport	6	6	3	6	5	4	3	3	3
Transport and Comm. / Parking and Highways	7	7	6	6	6	6	5	8	4
Transport and Comm. / Communications	1	1	1	1	1	1	1	1	1
Property	60	58	44	54	50	45	39	32	28
Banking	26	26	23	28	27	26	21	19	17
Insurance	12	10	6	7	7	7	5	5	5
Total Sample	340	336	257	303	286	268	230	208	188

Table 2.4. Voting Blocks: Percentage of significant shareholdings.

End Year	Call	C1	C2	C3	C4	C5
1990	58.04	38.32	48.04	52.67	55.36	56.80
1991	60.60	39.68	49.78	54.62	57.34	58.89
1992	60.45	38.55	48.74	53.82	56.62	58.31
1993	63.20	40.67	50.88	56.28	59.32	61.07
1994	63.43	39.96	50.04	55.76	59.06	60.97
1995	63.51	39.93	49.85	55.57	58.92	60.93
1996	60.70	38.51	46.65	52.38	55.76	57.77
1997	58.24	37.98	45.05	50.19	53.41	55.52
1998	53.45	34.98	41.19	45.57	48.54	50.75

Table 2.5. Voting Blocks: Average percentage of the largest investor by type.

	Total	Banking	Financial other than Banking	Foreign	Non Financial Companies	State	Individuals
1990	38.32	8.16	3.23	7.86	15.51	2.64	8.70
1991	39.68	7.76	3.47	8.91	16.36	3.94	8.15
1992	38.55	7.39	3.10	8.46	15.48	4.16	8.42
1993	40.67	7.89	3.18	9.64	17.34	4.02	8.24
1994	39.96	6.93	3.28	9.83	18.00	3.61	8.14
1995	39.93	6.63	4.07	9.19	16.21	4.11	8.92
1996	38.51	6.97	4.00	7.61	14.09	4.59	8.54
1997	37.98	7.15	3.00	7.28	15.45	4.56	7.70
1998	34.98	6.75	3.84	6.71	14.34	1.96	7.90

Table 2.6. Voting Blocks: Average percentage of all significant investors by type

	Total	Banking	Financial other than Banking	Foreign	Non Financial Companies	State	Individuals and families
1990	58.04	10.50	5.14	9.89	22.02	2.75	17.64
1991	60.6	10.27	5.37	11.33	23.14	4.22	17.60
1992	60.45	10.63	5.02	11.67	22.46	4.56	17.77
1993	63.2	11.08	4.89	12.87	25.12	4.34	17.76
1994	63.43	10.37	5.15	13.73	25.64	4.00	18.28
1995	63.51	10.52	6.09	13.26	23.61	4.49	18.80
1996	60.7	11.64	6.11	12.83	22.42	4.99	17.65
1997	58.24	12.20	5.28	13.73	25.27	5.00	16.09
1998	53.45	12.83	6.10	13.53	24.43	2.29	14.62

Table 2.7. Voting Blocks: Average percentage of the largest (and non zero) investor

Year	Total %	Banking	Financial other than Banking	Foreign	Non Financial Companies	State	Individuals and families
1990	38.32	41.41	37.82	49,51	42.53	52.77	29.01
1991	39.68	39.51	41.63	51,61	43.27	57.59	29.76
1992	38.55	37.23	37.98	48,30	41.88	56.28	30.48
1993	40.67	39.85	40.20	49,50	43.79	57.98	31.99
1994	39.96	38.87	36.08	48,47	44.76	57.31	30.65
1995	39.93	38.62	43.59	47,36	43.02	57.95	31.04
1996	38.51	36.42	41.83	40,69	39.04	62.04	31.19
1997	37.98	35.41	41.62	40,91	39.20	59.34	30.22
1998	34.98	29.49	42.45	32,34	36.94	61.33	30.30

Table 2.8. Voting Blocks: Average percentage of all significant (and non zero) investors

Year	Total %	Banking	Financial other than Banking	Foreign	Non Financial Companies	State	Individuals and families
1990	58.04	30.51	23.29	35,76	38.99	46.74	35.27
1991	60.60	27.61	24.40	36,61	39.67	48.86	35.83
1992	60.45	25.29	22.64	32,95	37.98	46.91	35.13
1993	63.20	25.63	22.45	34,21	40.06	46.97	34.28
1994	63.43	22.99	21.33	33,28	42.14	45.71	35.32
1995	63.51	22.73	24.02	31,18	40.30	48.15	35.73
1996	60.70	23.08	23.43	27,57	35.56	49.89	34.70
1997	58.24	22.26	20.35	26,44	34.81	47.23	32.81
1998	53.45	21.35	21.64	23,56	32.57	39.19	32.33

Table 2.10. Former state-owned enterprises: Percentage of remaining state shareholding.

Company	1990	1995	2000
Repsol (Oil)	66.5	21	0 (April 97)
Telefónica (Telecom)	32	21.16	0 (1997)
Endesa (Utilities)	75.6	66.9	0 (June 98)
Argentaria (Bank)	100	51.66	0 (1998)
Gas Natural		3.8	0 (1996)
Tabacalera (Tobacco and Food)	52.4	52.4	0 (April 98)

Table 3.1: THE BANKER RANKING OF SPANISH BANKS IN THE WORLD

No.	Bank	2001	2000	B or SB[a]
1	**Banco Santander Central Hispano**	**26**	**36**	**B**
2	**Banco Bilbao Vizcaya Argentaria**	**27**	**25**	**B**
3	Caja de Ahorros y Pensiones de Barcelona	-	91	SB
4	Caja Madrid	117	102	SB
5	**Banco Popular**	**151**	**187**	**B**
6	**Banco Sabadell**	**220**	**228**	**B**
7	**Bilbao Biskaia Kutxa**	**251**	**256**	**B**
8	Grupo Bancaja	263	270	SB
9	Caja Gipuzkoa San Sebastián	287	309	SB
10	Caixa de Catalunya	303	327	SB
11	**Bankinter**	**327**	**370**	**B**
12	Caja de Ahorros del Mediterráneo	329	352	SB
13	Ibercaja	333	357	SB
14	**Banca March**	**353**	**337**	**B**
15	Caixa Galicia	354	391	SB
16	Caja Laboral	355	371	CB
17	Unicaja	379	382	SB
18	Caja de Ahorros de Vigo, Ourense y Pontevedra	421	508	SB
19	Caja de Ahorros de Navarra	458	512	SB
20	Caja de Ahorros de Cordoba	479	625	SB
21	Caja España de Inversiones	487	502	SB
22	**Banco Pastor**	**521**	**534**	**B**
23	Caja Duero	536	567	SB
24	Caja de Asturias	565	597	SB
25	Caja de Ahorros de Murcia	566	672	SB
26	Caja de Ahorros de Huelva y Sevilla	589	774	SB
27	Caja Inmaculada	591	617	SB
28	Caja de Burgos	602	633	SB
29	Sa Nostra - Caixa de Baleares	666	729	SB
30	Confederación Española de Caja de Ahorros	691	674	SB
31	Caja San Fernando de Sevilla y Jerez	696	658	SB
32	Caixa Penedès	705	748	SB
33	Caja General de Ahorros de Canarias	709	-	SB
34	**Banco Zaragozano**	**713**	**792**	**B**
35	Caja Insular de Ahorros de Canarias	715	734	SB
36	Caja de Ahorros de Vitoria y Alava	729	677	SB
37	Caja General de Ahorros de Granada	752	772	SB
38	**Banco Guipuzcoano**	**789**	**808**	**B**
39	Caixa de Sabadell	796	851	SB
40	Caja de Ahorros de Burgos	820	867	SB
41	Caja de Ahorros de Extremadura	858	936	SB
42	Caixa d'Estalvis de Tarragona	870	-	SB
43	Caja Cantabria	872	896	SB
44	Caja General de Ahorros de Badajoz	970	-	SB

Source: The Banker 2000, 2001.

[a]: B if Bank, SB if Savings Bank and CB if Cooperative Bank.

Figure 3.1: General Meeting Composition for a typical Spanish Savings Bank

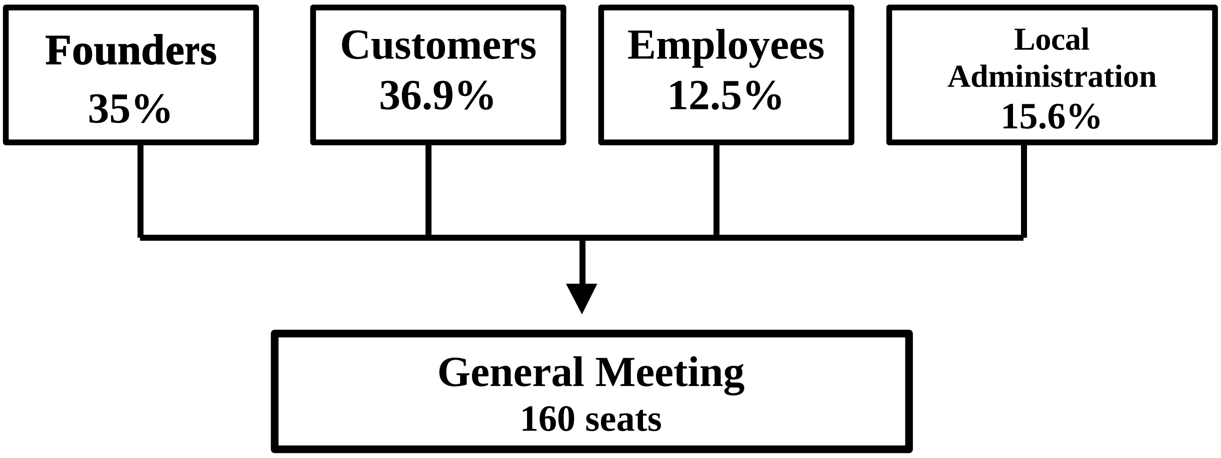

Figure 3.2: Meeting Composition following 1985 Law

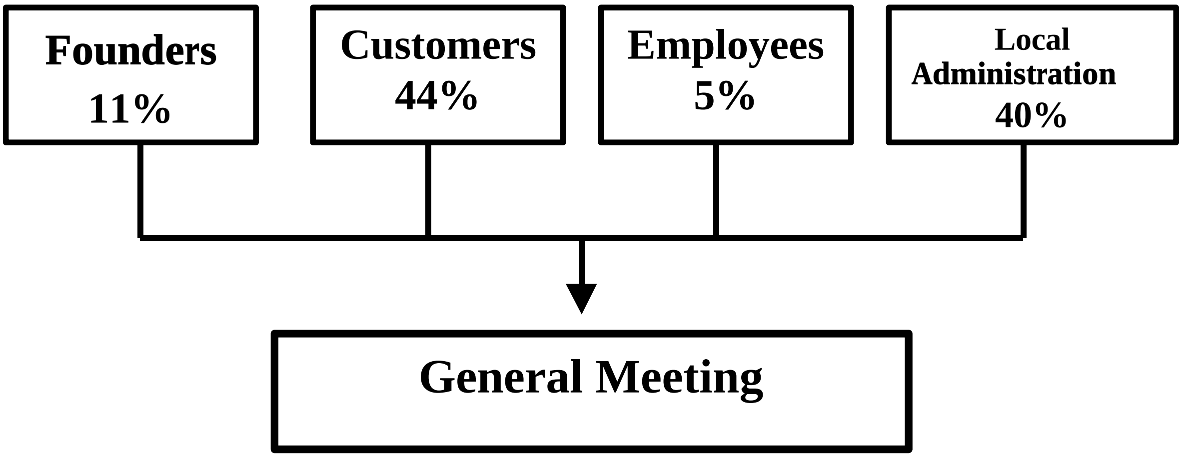

Table 4.1: IBEX-35 and CORPORATE GOVERNANCE

	1 *Voting caps*	2 *Board access Restrictions*	3 *Qualified Majorities*	4 *Golden Share*
Acciona	YES	YES	YES	NO
Aceralia	NO	NO	YES	NO
Acerinox	YES	NO	YES	NO
Acesa	NO	NO	NO	NO
ACS	NO	NO	NO	
Aguas de Barcelona	NO	NO	NO	
Alba	NO	NO	NO	
Altadis	YES	NO	YES	(Until October) YES
Amadeus	NO	NO	YES	
Aumar	YES	NO	NO	
B. Popular	YES	YES	YES	NO
Bankinter	YES	YES	YES	NO
BBVA	YES	YES	YES	NO
BSCH	YES	YES	YES	NO
Continente	NO	NO	NO	-
Corp. Mapfre	NO	NO	NO	-
Dragados	NO	NO	NO	-
Endesa	YES	YES		YES
FCC	NO	NO	NO	-
Ferrovial	NO	NO	NO	NO
Gas Natural	NO	NO	NO	NO
Hidrocantábrico	YES	YES	YES	NO
Iberdrola	YES	YES	YES	NO
Indra	NO	NO	NO	(Only for defence activities) YES
NH Hoteles	NO	NO	NO	NO
Pryca	NO	NO	NO	
Repsol-YPF	YES	NO	NO	YES (2006)
Sogecable	NO	NO	YES	-
Sol Melià	NO	NO	NO	NO
Telefónica	YES	YES	NO	YES
Telepizza	NO	YES	YES	-
Terra Networks	NO	NO	NO	NO
TPI	NO	YES	NO	-
Unión Fenosa	YES	YES	YES	NO
Vallehermoso	NO	NO	NO	NO

Source: Expansion, 1999.

TABLE 4.2: BANKS AS SHAREHOLDERS

		BBV	Argentaria	Santander	BCH	Banesto	La Caixa	Caja Madrid	Endesa	Administration
Repsol	**1996**	5,00					5,00			7,00
	2000	9,85	—		—		9,86	0,00		—
Telefónica	**1996**	3,05	3,00				5,00			16,00
	2000	6,36	—		—		3,77			—
Endesa	**1996**		1,00	3,00						10,00
	2000		—		—		5,00	5,01		—
Gas Natural	**1996**						25,50			1,00
	2000		—		—		26,37			—
Cepsa	**1996**				8,70				6,00	
	2000		—	20,04	—					—
Iberdrola	**1996**	10,70								
	2000	9,05	—		—					—
Agbar	**1996**	0,00					25,00			
	2000		—		—		23,37			—
Unión Fenosa	**1996**		1,00		7,50				7,50	
	2000		—	10,71	—					—
Fecsa	**1996**		1,00						50,00	
	2000		—		—					—
Sevillana	**1996**	8,50		3,00					40,00	3,00
	2000		—		—					—
Hidrocantábrico	**1996**						10,00			
	2000			3,00			0,00			
Airtel	**1996**			13,71	13,71				7,80	
	2000									
Cable Europa	**1996**			40,00	20,00				20,00	
	2000			18,44						
Antena 3	**1996**				10,00	10,00			4,00	
	2000									
Dragados	**1996**				24,00					
	2000			20,19						
Azucarera	**1996**				49,80					
	2000									
Ebro	**1996**			15,00						
	2000									
Campofrío	**1996**				22,00					
	2000									
Terra	**1996**									
	2000	1,75								
Sogecable	**1996**	15,79						5,60		
	2000	5,67						3,55		

Source: El País, May 13, 1996; Annual Reports.

TABLE 4.3: BANKS AS BOARD MEMBERS

		BBV	Argentaria	Santander	BCH	Banesto	La Caixa	Caja Madrid	Endesa	Administration	TOTAL	
Repsol	1996	1								7	16	1996
	2000										17	2000
Telefonica	1996	2	2				2			16	25	1996
	2000										25	2000
Endesa	1996	1								10	12	1996
	2000										17	2000
Gas Natural	1996						5			1	13	1996
	2000										16	2000
Cepsa	1996				5						19	1996
	2000										20	2000
Iberdrola	1996	8				2					26	1996
	2000										26	2000
Agbar	1996	2					6		2		19	1996
	2000										16	2000
Union Fenosa	1996		1		6				1		26	1996
	2000										22	2000
Fecsa	1996		1						8		20	1996
	2000											2000
Sevillana	1996	5			1				6	3	21	1996
	2000											2000

Source: El País, May 13, 1996; Annual Reports.