Many thanks, on behalf of Deutsche Bank and myself, for this opportunity to chair the Jury of the Sixth Edition of the Jaime Fernández de Araoz Prize on Corporate Finance. Above all, I would like to thank His Majesty King Felipe for honouring us once again with his presence. Your Majesty’s support is the greatest distinction received by this magnificent project launched by the Fernández de Araoz family, which has set a shining example of many things for years.

This Sixth Edition has received 49 works, from 112 authors of 30 nationalities, exceeding last year’s numbers. Most participants belong to the academic and university fields, but there are also representatives of governing and regulatory institutions in the financial sector. The sources include Harvard, Wharton, Stern, Columbia, London School of Economics, the U.S. Federal Reserve, Bundesbank and the World Bank.

The outstanding quality of these works complicated things for the jury I had the honour of presiding. Following an initial selection of 10 works, discussed and thoroughly analysed by an excellent technical committee, five finalists were chosen. After two voting rounds that followed a discussion on the finalist works, the jury chose the winning article, entitled “When Credit Dries Up: Job Losses in the Great Recession”, written by Professors Samuel Bentolila (CEMFI), Marcel Jansen (Universidad Autónoma de Madrid) and Gabriel Jiménez and Sonia Ruano (Bank of Spain). Congratulations, Professors!

There is one feature of this work that has enriched its final results: its broad range of sources, producing a very rich analysis. An exhaustive analysis of the financial and corporate sector has been combined with a detailed study of the job market, from three different points of view: the public sector, private institutions and universities.

The Jaime Fernández de Araoz Prize focuses on corporate finance, where banks play a fundamental role as the key to financing of the economy. The winning article, focusing on Spain, studies to what extent the solvency difficulties of 32 savings institutions and one bank, owned by a savings bank, which required intervention, thereby drastically reducing the level of credit, had a dramatic effect on employment. The article reaches the conclusion that over the period 2006-2010 the crisis suffered in these 33 entities led to an additional fall in employment of between 6 and 7%, both for large and small/medium size companies. Specifically, redundancies in
companies that basically worked with the banks that restricted credit to the greatest extent- those intervened- ranged between 25-35%.

This article is highly relevant due to its rigorous methodology. It has been constructed on an exceptionally rich database, covering more than two hundred thousand companies, including their financial statements, and analyses their relationship with credit entities operating in Spain at the time. There is no precedent in any other country with a similar analysis that uses such a large official database. The Professors have been able to prove and quantify why a lack of caution and defective corporate governance in the financial sector may have a devastating impact on employment.

The dramatic consequences for the Spanish economy as a result of a crisis in savings banks, brilliantly quantified in redundancy terms by the winning work, have entailed a thorough restructuring of the Spanish financial sector. I am sure that some of you will be surprised to hear that of the 68 commercial and savings banks existing in Spain just seven years ago, there are now just fourteen of which, by the way, only one is not Spanish, Deutsche Bank. In the meantime, the sector has changed in more ways than the number of operating institutions. The banks surviving the crisis are highly capitalised, have significantly improved their corporate governance structures, demand greater qualifications from their managers, and apply more cautious strategies and risk policies. More importantly, there is an increasing commitment in the sector to the need for ethical banking which, notwithstanding its legal profit-making, will always take its customers’ interests into account, with full awareness of the devastating consequences that banking mismanagement may have for the economy.

Two years ago, when Spain was suffering the effects of an indispensable economic reform without being able to yet see the light at the end of the tunnel, we stuck up for the Government at the time. And, fortunately, we bet on a winning horse. Today, Spain is growing at an annual rate of more than 3%, well above our European partners. Furthermore, it is generating growth in dynamic sectors, the most competitive worldwide, with a flexible domestic economy that is finally picking up. Even our high unemployment rate- the greatest scourge of the Spanish economy- is significantly improving. According to the latest figures of the Labour Force Survey, over the last 12 months more than 500,000 jobs have been created in Spain, three times the employment rate in Europe. This figure may increase over the next few months and reflects greater consumption and domestic investment. From here, I would like to thank Luis de Guindos, Ministry of Economy and Competitiveness, a former student and friend, and member of the Jury.
from the very start of this prize, for the fundamental role he has played in this reform.

In Spain, the economic crisis also entailed a lack of trust in our leaders due to numerous cases of reproachable conduct over the last few years. In the same way as the path of Spain’s economy is changing course, the society overcoming this crisis will be more demanding and will also show greater responsibility and awareness of ethical and moral values. In societies such as ours where, fortunately, force is not an accepted form of authority, exemplariness is the only way for leadership. This reflection is unfortunately not mine, but belongs to a good friend and great philosopher, Javier Gomá. Even before him, Shakespeare used to say that children never heed what their parents say, but inevitably follow their example, something we as parents are very familiar with.

In his speech of Proclamation before the Spanish Parliament, His Majesty recalled (and I have taken the liberty to textually cite his words) that: “Today, more than ever, citizens are justifiably demanding that moral and ethical principles inspire- and exemplariness preside- public life”. In my opinion that day, which I believe will be historically remembered as a starting point for the new values of Spanish society, the term “exemplarity” was the most inspiring.

More than a year has gone by since the coronation of King Felipe VI and the Crown prominently leads the institutional regeneration process in Spain, warmly acknowledged by the vast majority of Spanish citizens. No-one can remain indifferent to the regeneration process launched by the King. Thank you, Your Majesty, for your example and leadership.

I would like to end by thanking the Fernández de Araoz family, once again, for their wonderful work in remembrance of Jaime; Cunef and Universia for their loyalty to the prize and, of course, Professors Bentolila, Jansen, Jiménez and Ruano for their excellent article and well-deserved award they are receiving today.

Thank you.